



WALT DISNEY PRODUCTIONS **ANNUAL REPORT 1973**

to shareholders and employees • Fiscal year ended September 30



Celebrating 50 happy years of family entertainment.



AT WALT DISNEY WORLD: *Donn Tatum and Card Walker visit the Fort Wilderness Campgrounds.*

TO OUR SHAREHOLDERS AND EMPLOYEES:

On the cover of this Report, we have reproduced the commemorative bronze medal commissioned by the Company as an expression of gratitude to our employees during the 50th Anniversary of Walt Disney Productions.

On the reverse of the medal may be found this quote from Walt Disney: "My greatest reward is I have been able to build this wonderful organization. And also to have the public appreciate and accept what we've done all these years. That is a great reward."

Truly, one of the greatest assets of Walt Disney Productions, one of its richest legacies, rests in the strong and in-depth creative, operational and administrative organization Walt and Roy Disney left behind.

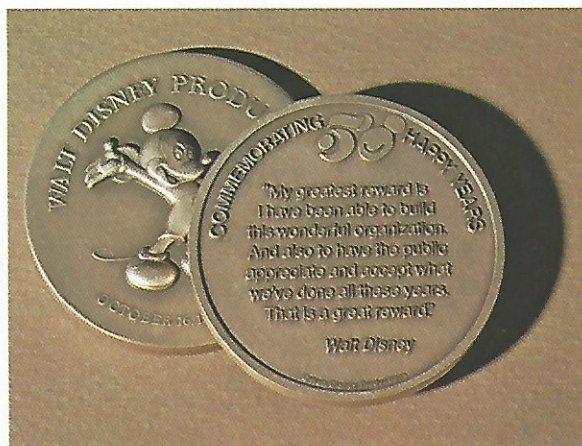
In 1966, when our Company lost the unbounded creative vision and personal leadership of Walt Disney, uncertainty as to the future of Walt Disney Productions existed throughout the business and financial world. Yet, the entire organization, confident of its abilities and resources, moved ahead aggressively to implement Walt Disney's master plan for Walt Disney World, to create new attractions for Disneyland, to produce some of the most popular motion pictures in the Company's history, and to take advantage of the new opportunities for diversification which were the outgrowth of these projects.

Among the motion pictures completed and released since 1966 (and their estimated worldwide film rentals) have been the following: "The Jungle Book," \$25,800,000; "The Love Bug," \$33,600,000; "The Aristocats," \$27,200,000; "Bedknobs and Broomsticks," \$17,500,000; and "The World's Greatest Athlete," \$15,800,000. We have high expectations that three films planned for domestic release through Christmas, 1974—"Robin Hood," "Herbie Rides Again" and "The Island at the Top of the World"—will receive an equally favorable worldwide response.

During the past seven years, we have witnessed several spectacular examples of the timeless and growing value of the Disney film library, the original production cost of which totals over \$350,000,000. Still wholly owned by the Company, this library is carried on the balance sheet at \$24,923,000, of which \$14,362,000 represents the unamortized production cost of motion pictures now in release, and \$10,561,000 represents completed productions yet to be released.

In recent years, our domestic theatrical reissue program, which includes film rentals from the United States and Canada, has been highlighted by "Swiss Family Robinson," \$8,600,000; "101 Dalmatians," \$7,800,000; "Song of the South," \$7,500,000; and "Mary Poppins," which has become the highest grossing reissue in the Company's history, and will bring an estimated \$9,000,000 in domestic film rentals before it is withdrawn from distribution in 1974.

In 1966, Walt Disney left our "Imagineering" staff at WED Enterprises only a very detailed conceptual plan for the development of Walt Disney World. This team of architects, engineers and planners, which has been

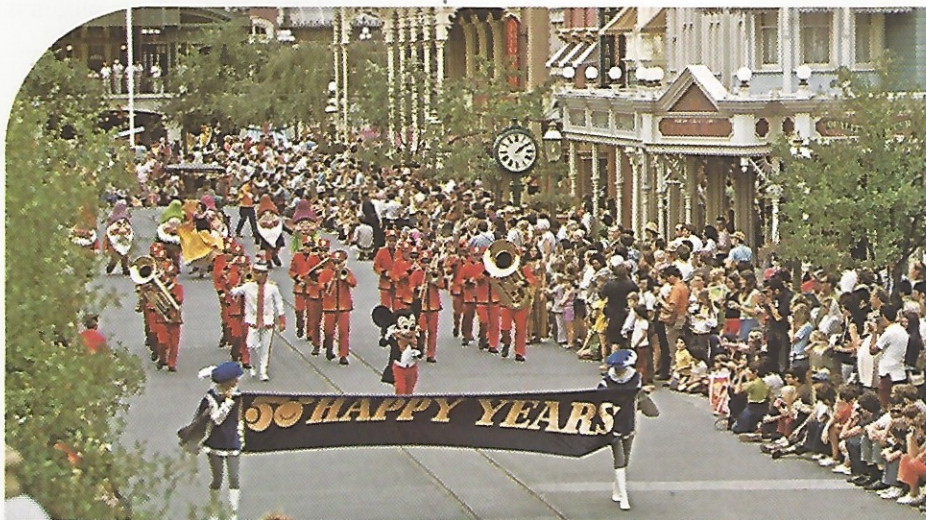


HONORING OUR EMPLOYEES: *All permanent employees received this commemorative medal (left) as a token of gratitude on the Company's 50th anniversary. 94 people who worked with Walt Disney at the Hyperion Avenue studio in Glendale before the move to Burbank in 1939 are still active with the Company. These employees were honored at a special studio party in October, and each received an honorary "Mousecar" (right) in gratitude for his or her service.*

responsible for the development of all of our Company's theme park attractions since the inception of Disneyland, quickly took hold of the Florida project, finalizing the overall master plan for the 2,500-acre "Vacation Kingdom," creating the "Magic Kingdom" theme park and master planning the resort-hotels in their entirety.

To implement the Florida project, the Company utilized its cash flow and financed additional net equity of \$258,000,000 between 1968 and 1971. Since the end of fiscal 1966, the Company's gross assets have increased by \$580,341,000, or 589%, to a total of \$678,807,000. As of September 30, 1973, there was an additional \$65,220,000 of new construction in progress, which was financed through revolving short term loans and the cash flow of the Company.

Of our total investment in the Florida project, \$132,400,000 represents such basic items as utilities, service and administrative facilities, the monorail system, the development of the lagoon and Bay Lake, and the theme park basements and support facilities located therein, all of which provide a solid foundation to support additional expansion and diversification for perhaps a decade to come.



GOLDEN ANNIVERSARY: Among the events heralding the Company's 50th Anniversary were proclamations from the California State Legislature and the Los Angeles City Council, a salute from the Variety Club of Southern California, special celebrations in our two theme parks, and a month-long 50th Anniversary Retrospective of Disney films at New York's Lincoln Center in July. Another retrospective, sponsored by the American Film Institute, was held at the John F. Kennedy Center for the Performing Arts in Washington, D.C., in December.

Since 1966, stockholders' equity has increased by \$440,873,000, or 672%, to a total of \$506,446,000. The Company has no significant senior debt, and at year end, long term liabilities stood at \$56,407,000, an increase of only \$47,464,000 during the past seven-year period of rapid expansion.

Gross revenues, since 1966, have increased 230% to \$385,065,000, a figure which was up 16.9% over fiscal 1972. Net income has grown to a total of \$47,768,000 (or \$1.67 per share), up 285% since 1966 and 18.6% ahead of the previous year. During each of the past six years, the Company has attained new record levels in total revenues, net income and earnings per share.

Cash dividends paid during fiscal 1973 amounted to \$3,429,000. In January, 1973, a two-for-one stock split effected by a 100% stock dividend resulted in the issuance of 14,276,173 common shares and a transfer of \$17,845,000 from capital in excess of par value to capital stock. The Board of Directors in November, 1973, declared a 2% stock dividend in addition to the regular quarterly cash dividend of 3¢ per share, payable January 1, 1974, to stockholders of record December 3, 1973.

During the fiscal year 1973 an audit by the Internal Revenue Service of the Company's federal income tax returns for the years 1969, 1970 and 1971 was completed and settled by agreement.

The Company has an agreement with Bank of America for a \$60,000,000 five-year term loan, the final repayment on which is due in January, 1977. Two principal payments, including one of \$12,000,000 made subsequent to year end, have reduced the outstanding balance to \$39,000,000. The Company also has available from Bank of America a revolving unsecured line of bank credit of \$40,000,000, with interest at the prime rate.

Walt Disney Productions clearly is a stronger Company today than it was a year ago, and without question, it is in the strongest financial position in its history.

We have a solid base upon which to build—a Film Library with many motion pictures of timeless value for reuse both in theaters and on television; two of the world's most popular amusement theme parks, which have now been visited by more than 145,000,000 guests; substantial real estate in Florida, in Southern California, and in Denver, much of which is undeveloped; an extremely

THE WALT DISNEY STORY: Mrs. Lillian Disney Truysen and Mrs. Roy O. Disney joined in the dedication of this new exhibit at Walt Disney World last May. The attraction, which also opened at Disneyland during the year, combines displays of memorabilia from the careers of Walt and Roy Disney with a 23-minute film about their lives.



popular television series which continues to anchor the Sunday evening schedule of the NBC Television Network; and a solid roster of rapidly growing ancillary businesses. We have a highly competent and motivated staff and a young, but seasoned management, and most important of all, we have a name and a platform of public acceptance second to none, now and for the foreseeable future.

Yet, due to external factors relating to investor philosophy and concerns about the availability of energy sources in the United States, the Company has again been the subject of investor uncertainty during the past year.

It is not possible to predict the impact, nor the duration of the energy shortage in this country, but we can say that during difficult times, the public historically has turned to entertainment and recreation as a means of relief and escape from their problems. We have the products people want—Walt Disney World, Disneyland, family motion pictures and a broad array of ancillary products.

Near term, we are carefully watching to see how the public will adapt its travel plans to current conditions, and we have the ability to adjust operations at our theme parks to both short-term trends and seasonal demand. As of this

writing, our business at both theme parks remains strong. For the first two months of fiscal 1974 (the period ended November 24), attendance at Disneyland was up 5.7% over the previous year, and attendance at Walt Disney World was even with 1973, and in fact, was up 5% during the month of November.

Over the longer term, we remain confident in the ability of this nation to successfully solve the problems it faces; worldwide, we see a continuing trend toward increasing affluence and the availability of leisure time, and a growing demand for travel and recreational opportunities.

As new opportunities for diversification arise, and as our staff creates new opportunities for the future, we believe our Company is in a unique position to continue to build upon the foundations already established. There is a growing demand for our experts at WED Enterprises to do consulting work in transportation, recreational and city planning, and consideration is now being given to the formation of a unit within WED for this purpose, and ultimately, for the initial planning and design work in connection with the Experimental Prototype Community of Tomorrow at Walt Disney World.

Our Company has extensive experience in developing new concepts in transportation, such as the monorail and the "WEDway PeopleMover," which, in Florida, will be powered by the newly developed, totally pollution-free linear motor. A considerable demand for the installation of these systems in non-recreational applications outside of our theme parks now exists.

We have before us increasingly favorable markets for the development of a Disney theme park in a foreign country, and here at home, we continue to survey possible sites for the development of a year-round outdoor recreational area, which would be in addition to the proposed project at Mineral King, the future of which is still unresolved due to prolonged litigation between environmental groups and the federal government, which administers the area.

We are in a period of time unprecedented in the history of our country. Yet, we remain confident that our Company, like our nation, is capable of meeting the challenge. Through 50 years of consistent dedication to quality family entertainment, Walt Disney Productions has attained a position of leadership and public trust unmatched in our industry.

As Walt Disney was always looking to the future, so is this present management. With the continued support and dedication of almost 15,000 employees throughout the world and in a strong financial position, we intend to pursue the opportunities before us. This Report sets forth the reasons why we remain convinced that Walt Disney Productions is a Company for the future.

Burbank, California
December 3, 1973

Donn B. Tatum
Donn B. Tatum, Chairman of the Board

E. Carden Walker
E. Carden Walker, President



SECOND ANNIVERSARY: On October 1st, 2,500 employees who had been at Walt Disney World two years or longer joined for this second anniversary photo in the forecourt of the Cinderella Castle. Below, the Richard F. Irvine stern-wheeler, which began plying the Rivers of America last June.





Building upon its highly successful opening, Walt Disney World, in its second full year of operation, experienced an 8.2% increase in attendance, hosting 11,593,000 guests. Approximately 27% of the "Magic Kingdom's" attendance came from within the state of Florida, a figure almost double initial projections.

Walt Disney World's market research staff estimates that out-of-state guests averaged 1.87 paid visits per person, meaning that just over 4,429,000 different out-of-state visitors entered the theme park during the year. More than 14% of these arrived in Florida via means of transportation other than automobile.

During 1973, approximately 14,000,000 out-of-state tourists traveled to or through the 15 Central Florida counties. From anywhere in these counties, tourists can easily drive to the Walt Disney World site within 90 minutes.

permanent operational-service employees of Walt Disney World Co. was negotiated and overwhelmingly ratified. The agreement is a basic four-year collective bargaining contract, with a reopening provision on wages and other economic items November 1, 1975.

Although it had been predicted that the "Magic Kingdom" would not be able to operate at night, the theme park remained open until 1 a.m. throughout the summer. 15% of our total summer attendance arrived after 5 p.m., an average 8,600 guests per day re-entered the Park after 5 p.m., and many others remained throughout the afternoon to enjoy Walt Disney World after dark.

Early in fiscal 1973, two new five-car monorail trains were delivered, bringing to ten the number now in service. This reliable system can now carry more than 2,000 people at one time, and together with two new ferry boats, is



IN THE "MAGIC KINGDOM": Cinderella's Golden Carrousel; Tom Sawyer's Island; and the new Plaza Pavilion fast-service restaurant.

Therefore, the "Vacation Kingdom's" penetration of the existing tourist market is estimated to have been approximately 30% during the year.

Revenues increased 21% to \$168,162,000, which came from the following areas: admissions, including recreation, \$62,182,000; merchandise sales, \$36,702,000; food sales, \$40,207,000; lodging revenues, \$22,443,000; lessee and other rentals, \$5,386,000; and other revenues, \$1,242,000. All operating divisions contributed to the increased profitability of the project.

During the past two years, our Florida management team has gained valuable experience with Walt Disney World, making significant contributions which have increased the efficiency of the project. Operational patterns have now been established, and administrative personnel have begun working in the Operations Division during peak periods of visitation.

In November, a new agreement covering the 4,600

capable of handling our total transportation requirements during peak periods, not just for today, but for the foreseeable future.

In the "Magic Kingdom," April brought the opening of "Tom Sawyer's Island" in the middle of the "Rivers of America." Guests reach the island by river rafts from Frontierland, and there visit such landmarks as the Old Grist Mill, Aunt Polly's House and Huck Finn's Treehouse, sharing in adventures based upon the barefoot country of Mark Twain's childhood.

"The Walt Disney Story" was dedicated in May. Located in the Gulf Hospitality House on Main Street, U.S.A., the exhibit traces the careers of Walt and Roy Disney from their early childhood. The attraction which offers a 23-minute film and displays of memorabilia, is presented by Gulf Oil Corporation in both Walt Disney World and Disneyland.

By June, 12 new 26-passenger Swan Boats were plying

the Central Plaza waterways, and a second stern-wheeler, the Richard F. Irvine, had begun cruising the Rivers of America.

To meet the need for additional restaurant capacity in the theme park, the Plaza Pavilion, a fast-service restaurant seating 650 guests, opened along the waterways of the Central Plaza in time for the summer season.

Consistent with the Company's plan that attractions in its two theme parks should be interchangeable, the "Pirates of the Caribbean," a new version of Disneyland's famous swashbuckling adventure on the Spanish Main, opened to the public during a spectacular series of pre-Christmas special events in December.

Caribbean Plaza, the gateway to this new attraction, will combine shops and refreshment areas in a Spanish motif. Now under construction, it is scheduled to open in March.

A major development program involving the construction of five new attractions in Tomorrowland will increase the theme park's operating capacity to 70,000 rides-per-hour, equal to California's Disneyland, by early 1975. This goal, which took fifteen years to accomplish at Disneyland, will have been reached in only three years at Walt Disney World.

RCA and General Electric have confirmed the confidence of American industry in our project by joining Coca-Cola, Goodyear, Monsanto and Eastern Airlines as sponsors of attractions in Tomorrowland. Major businesses have long recognized the Disney theme parks as creating an effective atmosphere for communicating with the general public.

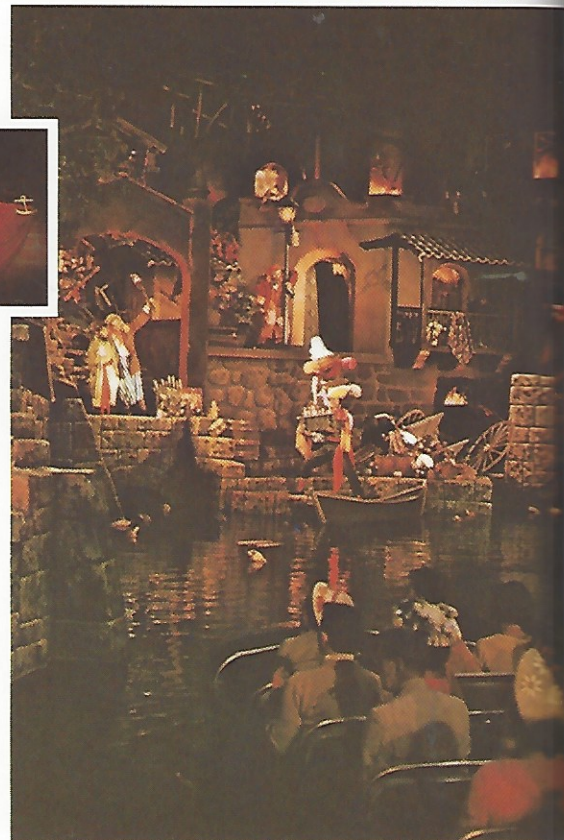
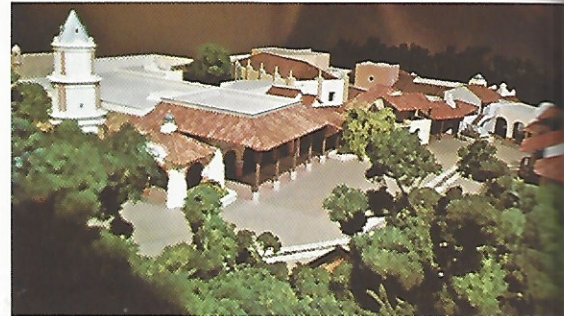
Designed by the Disney "Imagineering" staff at WED Enterprises, and now being constructed by Disney's own Buena Vista Construction Company, the expanded Tomorrowland will reveal a "world on the move" filled with unique transportation for both land and "space."

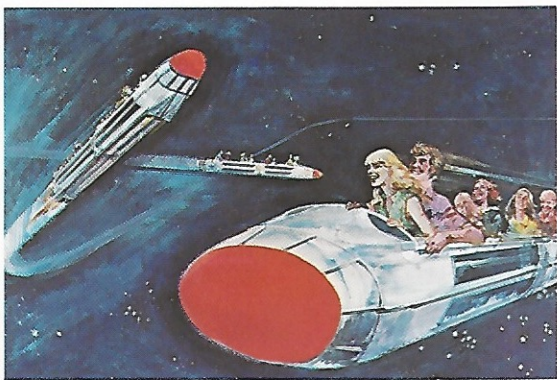
Dominating the area will be the 173-foot high, RCA-sponsored "Space Mountain," where guests will board their own "rockets" for a dizzying ride through "outer space." Upon entering the circular "Space Mountain," which is wider in diameter than a football field, visitors will feel the illusion that they are looking out from a space station. Then, during their "rocket" trip through the cosmos, guests will be "bombarded" with meteors, comets and whirling galaxies. The grand opening is scheduled for late 1974.

More than 45 million people have seen the General Electric "Carousel of Progress" at the 1964-65 New York World's Fair and at Disneyland. The attraction is now moving to Walt Disney World, where it is scheduled for opening early in 1975. As in Disneyland, guests will be seated in one of a series of six theatres which revolve around a hub of four stages—a sort of "Audio-Animatronics" time machine making a nostalgic visit to the "latest" of American homes in four eras, from the gay nineties to the world of today. The final act has been redesigned to incorporate the life styles of the 1970's, and the most recent innovations in home appliances from General Electric.

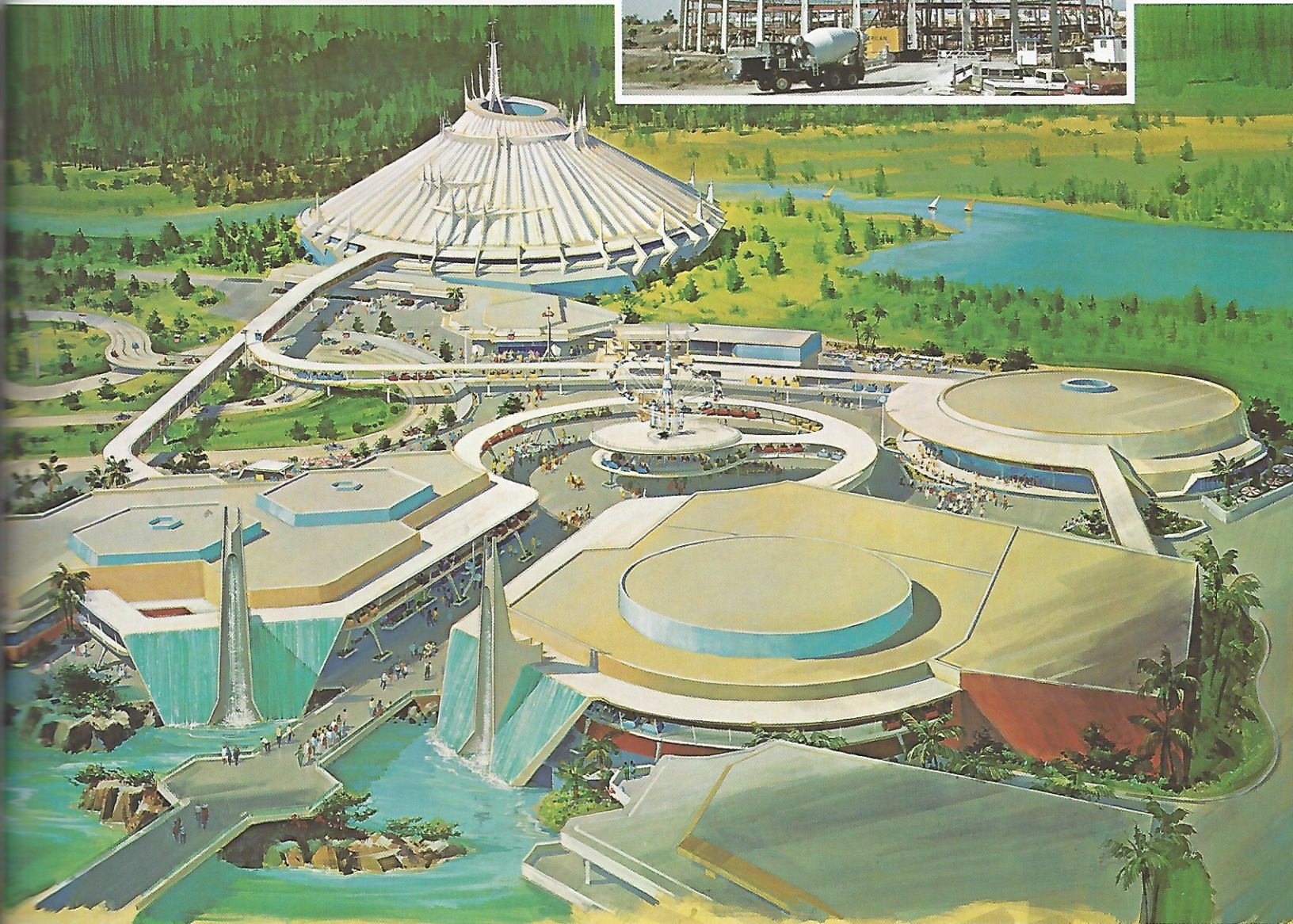
Also scheduled for opening early in 1975 is the "WEDway PeopleMover." This continuously moving

THE PIRATES OF THE CARIBBEAN: This famous attraction began operation at the "Magic Kingdom" in December. Just below, a model of Caribbean Plaza, gateway to this swashbuckling adventure, now under construction and scheduled to open in March.





SPACE MOUNTAIN: Below, the construction site as it looked during October. Left, an artist's rendering of the guests' whirlwind voyage through "outer space".



TOMORROWLAND: Five new attractions are scheduled to debut in this "land of the future" by early 1975. Dominating the area will be the RCA-sponsored "Space Mountain" (top). Also now under construction are the General Electric-sponsored "Carousel of Progress" (right, center), the "WEDway PeopleMover" and the Tomorrowland "Rocket Jets" (center), which will be mounted atop the "PeopleMover" station, 60 feet above the ground. The expanded "Grand Prix Raceway", presented by Goodyear (top, left), reopened to the public for the Christmas, 1973, season.

system will transport guests along a 4,571-foot elevated guideway in 32 five-car "trains" powered by a new Disney-engineered and designed linear motor. This pollution-free propulsion system has no moving parts. Instead it creates a magnetic field which "pushes" the trains along their route. The system may easily be adapted for use in shopping centers and downtown areas.

Completing the "new" Tomorrowland will be the popular "Rocket Jets," mounted atop the "PeopleMover" station and whirling 60 feet above the ground, and an expanded Goodyear "Grand Prix Raceway," on which four cars running side-by-side are able to simulate actual racing starts. The Raceway re-opened for the Christmas season.

Between 1970 and 1973, Metropolitan Orlando led the nation with a 50% increase in average non-farm employment, and in November, 1973, unemployment in the area stood at only 1.7%, lowest in the nation. Orlando, Florida, currently ranks eighth among the cities of the world in the number of available hotel and motel rooms—more than 24,000. As a result of this rapid expansion, many off-site motels have experienced low occupancy rates. Nevertheless, visitors to Walt Disney World continue to express a preference for lodging within the "Vacation Kingdom," and the two Disney theme resorts, the 1,057-room Contemporary and the 492-room Polynesian Village, which operated at virtually 100% of capacity throughout fiscal 1973.

For the six months following November 1, 1973, 201,000 room-nights, or 71% of the total capacity of these two hotels for that period of time, had already been sold. During fiscal 1973, our Central Reservations Office had to turn down an average of 1,100 room requests per day.

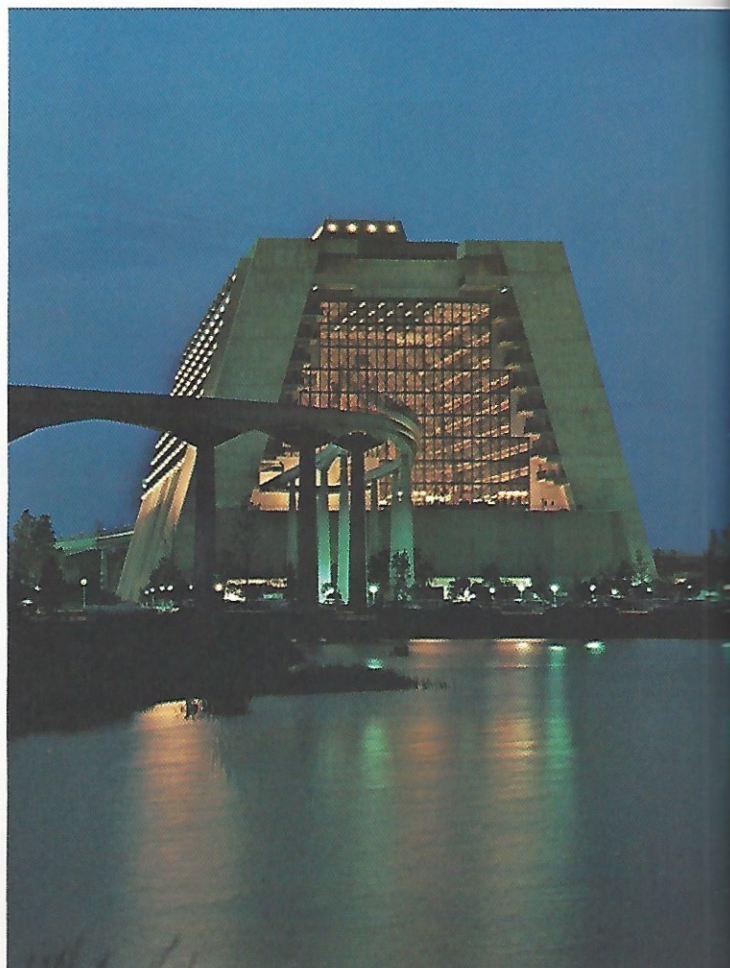
Walt Disney World remains a popular destination for convention activities. President Nixon addressed the national convention of the Associated Press Managing Editors at the Contemporary Resort-Hotel last November.

Even though conventions are not booked during peak months of operation, a total of 340 conventions, representing 325,000 room-nights, are now scheduled through 1976.

Designed to serve the golfing vacationer, the 153-room Golf Resort Hotel, with expanded pro shop and club house facilities to serve our two championship courses, the Magnolia and the Palm, opened in time for the Third Annual \$150,000 Walt Disney World-PGA Golf Classic. The Classic, staged from November 27 through December 1, was televised nationally via the Hughes Sports Network, with a half-hour show summarizing the week's activities on Friday evening, and two hours of live coverage of the final round on Saturday afternoon.

One of the most successful new areas of Company operations, and a new base for generating additional per capita spending, has been the Fort Wilderness campgrounds, which already have the reputation of being among the finest to be found anywhere in the United States.

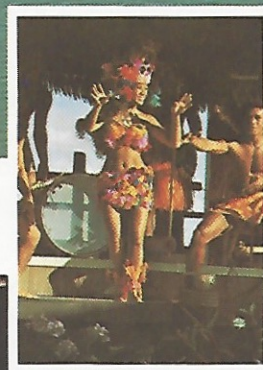
This 1,000-acre facility now offers 714 campsites, and will expand to 1,200 sites as demand dictates. Thus far, the trend in campground visitation has been double the



THE CONTEMPORARY RESORT-HOTEL: At dusk, lights gleam from the Grand Canyon Concourse of this 1,057-room "flagship" resort-hotel.



THE GOLF RESORT HOTEL: The golfing vacationer may now stay in this 153-room Resort Hotel, overlooking the fairways of the Palm and Magnolia Courses, home of the annual \$150,000 Walt Disney World-PGA Golf Classic. On December 1, Jack Nicklaus (right) won this tournament for the third consecutive year.



"LUAU COVE": This shelter for evening luaus, located along the beach adjacent to the 492-room Polynesian Village (top), provides all-weather dinner seating for more than 500 guests. Luaus are extremely popular as convention events.



Company's initial projections. For the entire fiscal year, occupancy averaged 80%, and the campsites were filled to capacity throughout the 15-week summer season.

An average of 5.2 guests per campsite was recorded throughout the year, meaning that during many evenings there were in excess of 3,500 visitors staying in Fort Wilderness. Many guests are returning just to stay in the campgrounds and enjoy the wide variety of activities available there, such as nature trails, boating, swimming, sun bathing on the campgrounds' own beach, horseback riding, evening campfires, playgrounds and the children's petting farm at the Tri-Circle D Ranch.

Each campsite rents for \$12 per night, which entitles all of the occupants of the site to the unlimited use of Walt Disney World's motor coaches, monorails, steamboats, launches and the Fort Wilderness steam train, in addition to hookups for water, sewage and electrical services.

After several months of trial runs, the four Fort Wilderness steam trains began operation along a three-mile loop of track during December. Each five-car train carries a maximum of 90 guests on excursion runs between the campsites and the area's recreational facilities.

Fort Wilderness has proven to be a major base for new food services and leisure time activities to serve overnight visitors. Pioneer Hall, the first step in the development of a new service-oriented campground complex, will open in February. Fully equipped for musical stage shows, Pioneer Hall features a 250-seat steak house for ranch-styled barbecues, plus a 150-seat snack bar, theme shops, and an arcade for after-hours recreation.

Just offshore from the campgrounds, preparations are continuing for the opening, next Easter, of "Treasure Island." Another step in the Company's program to increase the average length of stay and per capita spending, the 11-acre island will be a botanical garden, with winding pathways leading along rippling streams and past more than 600 rare tropical birds. Eventually, the island will be augmented with scenes from the classic Disney film such as the eerie caverns of Ben Gunn, the wreck of the Hispaniola and the Benbow Inn.

In summary, Walt Disney World has proven to be an immensely popular and successful new venture, which will challenge the creative resources of the Company for many years to come.



TREASURE ISLAND: Opening next Easter, this 11-acre island will feature charming walkways leading past botanical gardens, streams, and exhibits of rare tropical birds.





FORT WILDERNESS: A complete vacation experience in itself, the Fort Wilderness Campground Resort features 714 completely equipped campsites, its own Trading Posts, a private beach and boat dock, a ranch with its own petting farm for children, nature trails for hiking and horseback riding, and a wide variety of other recreational activities. Four authentic steam trains (like the one at the far left) circle the area, connecting the campsites with the other guest facilities.



THE CONSERVATION
ADVISORY COMMITTEE:
*Touring Treasure Island at Walt
Disney World, (left to right)
Robinson, Gabrielson,
Albright, Towell and Kimball.*

ENVIRONMENTAL PROTECTION AT WALT DISNEY WORLD



THE LIVING FILTER TREE FARM: Treated sewage effluent is piped to a holding pond (foreground), from which it is used to spray irrigate 150 acres of new trees, grasses and shrubs, which remove remaining nutrients from the effluent through natural growth processes.

From the inception of the Walt Disney World project, the Company has remained committed to demonstrating that planned and orderly development can be achieved in a manner compatible with the preservation of the natural environment.

Charged with the responsibility of achieving this goal is Walt Disney World's Environmental Protection Department, whose professional staff of nine people perform both corporate and government-related functions in such areas as air and water quality monitoring, interpretation of the natural environment through infrared photographic techniques, environmental land use planning, agricultural and forestry programs, plant and animal inventories, and the management of Walt Disney World's 7,500-acre Conservation Area.

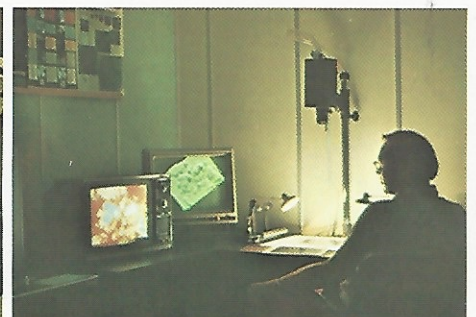
In order to monitor and maintain water quality in the seven lakes, numerous natural streams and 40 miles of canals on the property, approximately 18,000 water analyses are performed for chemical and biological content annually. The department not only traces potential pollution sources within Walt Disney World, but monitors the quality of water draining onto the property from 194 square miles of land surrounding the property.

Through the use of Remote Sensing (infrared photography), the staff can measure details of the environment not readily visible to the naked eye, thereby detecting stress on tree and plant life, water quality, geological formations and soil types, and patterns of urban growth in Central Florida.

The department is also responsible for issuing permits for, and monitoring the operation of, sewage treatment and solid waste disposal facilities, and during the past year, has worked with Walt Disney World in the establishment of a 150-acre Living Filter Tree Farm. Here, treated sewage effluent is used to spray irrigate new grasses, trees and shrubs. Natural growth processes remove nutrients from the effluent, returning the water to the ground in a recycled condition. This experimental farm soon will be expanded to 400 acres.

Under a contract with the Hudson Pulp & Paper Corporation, Walt Disney World is conducting a 7,400-acre reforestation project, through which pines, eucalyptus and other hardwoods will be produced for use in the paper industry. An additional program, now underway, has put approximately 1,000 acres of pasture into beef cattle production. The Environmental Protection Department assisted in instituting project-wide programs for the recycling of paper fibre, metal, glass and other products.

All of these programs receive periodic on-site review by the Company's distinguished voluntary Conservation Advisory Committee, which includes: Horace M. Albright, former Director, the National Park Service; Dr. Ira N. Gabrielson, first Director of the U.S. Fish & Wildlife Service and former President, the Wildlife Management Institute; Thomas L. Kimball, Executive Director, the National Wildlife Federation; Bestor Robinson, former President, the Sierra Club; and William E. Towell, Executive Vice President, the American Forestry Association.



THE ENVIRONMENTAL PROTECTION DEPARTMENT AT WORK: Collecting water samples, performing laboratory analyses, and using infrared photography to interpret the natural environment.



WALT DISNEY TRAVEL CO. INC.

The Walt Disney Travel Company, Inc., was established in late 1972 for the prime purpose of generating new revenues for our theme parks and hotels. It works with airlines and other common carriers, travel agencies, tour operators and associations, both domestically and internationally, to create and market both wholesale and retail travel packages designed to extend the length of stay and increase per capita spending of visitors to Disneyland and Walt Disney World—not only for theme park admissions, but for food, lodging and other recreational activities.

This new subsidiary is also developing affinity group tour programs and individual travel packages for members of the Magic Kingdom Club. The club now boasts almost 4,000,000 members, who are organized into 9,000 chapters at corporations, military bases, unions and other associations across the United States—a substantial number when one considers that the great majority of these members each represent family units.

Despite near-term concerns about the availability of energy sources throughout the world, the same trends detected for the leisure time industry in the United States during the 1960's—increasing affluence and disposable income, shorter work weeks and a related increase in leisure time, and the desire for travel and personal participation in recreational activities—are now becoming evident throughout Europe, the United Kingdom and Japan. In some countries like Japan, travel subsidies are becoming part of regular compensation programs.

The United States Travel Service estimates that 13 million foreign tourists will arrive in the United States by airlines alone in 1980, and the National Tourism Resources Review Commission estimates that total tourism expenditures in the United States will reach \$126.9 billion by that date. This estimate represents \$83.3 billion from households for personal or vacation travel, \$36.4 billion for business travel, and \$7.2 billion in domestic expenditures by foreign visitors. In constant dollars, this means that tourist spending will have almost doubled in the decade.

In addition to the economic factors named above, the devaluation of the dollar and the reevaluation of other currencies in the past two years have made the United States a substantially more attractive travel destination, and this country is becoming increasingly competitive with other worldwide destinations, and this includes even European vacation areas.

By reserving his flight 90 days in advance, it is now less expensive for a Britisher to fly to Miami or New York than to Rome. Most European travelers have already visited their neighboring countries, and are looking for more distant travel abroad. Surprisingly to the American who has not traveled abroad, costs in the United States compare favorably with Paris, London, Rome, Tokyo and other major foreign population centers.

In years to come, this relationship should continue to improve, as the rate of inflation in the United States is actually slower than in most foreign nations.

Reflecting these factors, travel to the United States increased 59% from Japan, 40% from the United Kingdom, and 30% from all of Europe during the first four months of 1973.

In order to take advantage of these trends, the Walt Disney Travel Company has already established offices in London, Tokyo, at Disneyland and Walt Disney World.

Japanese tourists to the mainland United States favor Disneyland, Las Vegas, San Francisco and the Grand Canyon as their destinations. The Travel Company, therefore, is developing and will operate quality group tours tailored to the interests of oriental tourists, including Japanese-speaking tour guides to accompany the visitors throughout their stay.

Dollar devaluation has also made foreign travel more expensive for Americans, causing many to decide upon domestic vacations, rather than foreign travel.

Disney-created package tours to Disneyland are being sold through such airlines as Continental, American, Western and Air California. Pan American World Airways now sells our packages for both theme parks on all its routes throughout the world, and Eastern Airlines is both wholesaling and retailing its own package tours to Walt Disney World.

Noting the trend toward increased domestic travel, our subsidiary has begun developing tour packages to other domestic destinations, with Disneyland or Walt Disney World as integral stops along the way. As an example, Continental Airlines has initiated a major marketing program in such cities as Chicago, Denver and Houston, offering the Travel Company's tour entitled "Disneyland, the Magical Way to Hawaii."

A new diversification, the opportunity for which evolved from the Walt Disney World project, the Travel Company will one day serve additional Disney recreational projects, as well as developing group travel for Magic Kingdom Club members to destinations throughout the world.



REAL ESTATE MANAGEMENT:
*(clockwise from top) The four
 motels at Motor Inn Plaza;
 model fairway homes under
 construction at Lake Buena
 Vista; master planning the
 Lake Buena Vista commercial
 center at WED Enterprises in
 California; the Golden Oak
 Ranch; and the Lake Buena
 Vista townhouses.*



REAL ESTATE MANAGEMENT AND DEVELOPMENT



In the state of Florida, the Disney organization owns more than 27,000 acres of land, including approximately one mile of beach front property for future recreational development along the Atlantic Ocean, south of the city of Melbourne.

Ever since Walt Disney acquired the site for Walt Disney World in Florida, the Company has always considered some of the acreage it owns to be surplus, and available for other development.

In addition to the 2,500-acre "Vacation Kingdom," the Company has set aside 7,500 acres of its Florida property for permanent protection as a Conservation Area, and has designated another 9,000 acres for revenue-producing application in forestry and cattle grazing.

The new Community of Lake Buena Vista, which will encompass 1,200 acres in its first phase, cannot be thought of as a conventional real estate development. Its townhouses and single family dwellings have been designed as second homes, vacation retreats and corporate accommodations, and are being offered on short-term lease, or under a special form of ownership in which the Company will retain title to the land and assume the responsibility for providing security, landscape, maintenance and hospitality services.

133 townhouses have now been completed. The corporate market for homes to be used as executive retreats, and in sales incentive and vacation fringe benefit programs, is now being assessed. Homes are being offered to business customers from four models located along the fairways of the 18-hole Lake Buena Vista golf course. The Golf Clubhouse, conceived as a complete recreational complex for the entire community, will open next summer.

Ultimately, it is expected that Lake Buena Vista will bring to the site 10,000 new guests and potential visitors to the "Magic Kingdom" every three or four days. The "second home" nature of the development will mean that Lake Buena Vista will not require the schools and other services normally projected for a community of this size.

The L. B. Nelson Corporation has been selected to develop some 900 apartments on 50 acres of land at Lake Buena Vista. Primarily for employees of Walt Disney World and other permanent residents in the area, these apartments will be built in phases, with the first 475 beginning construction in early 1974.

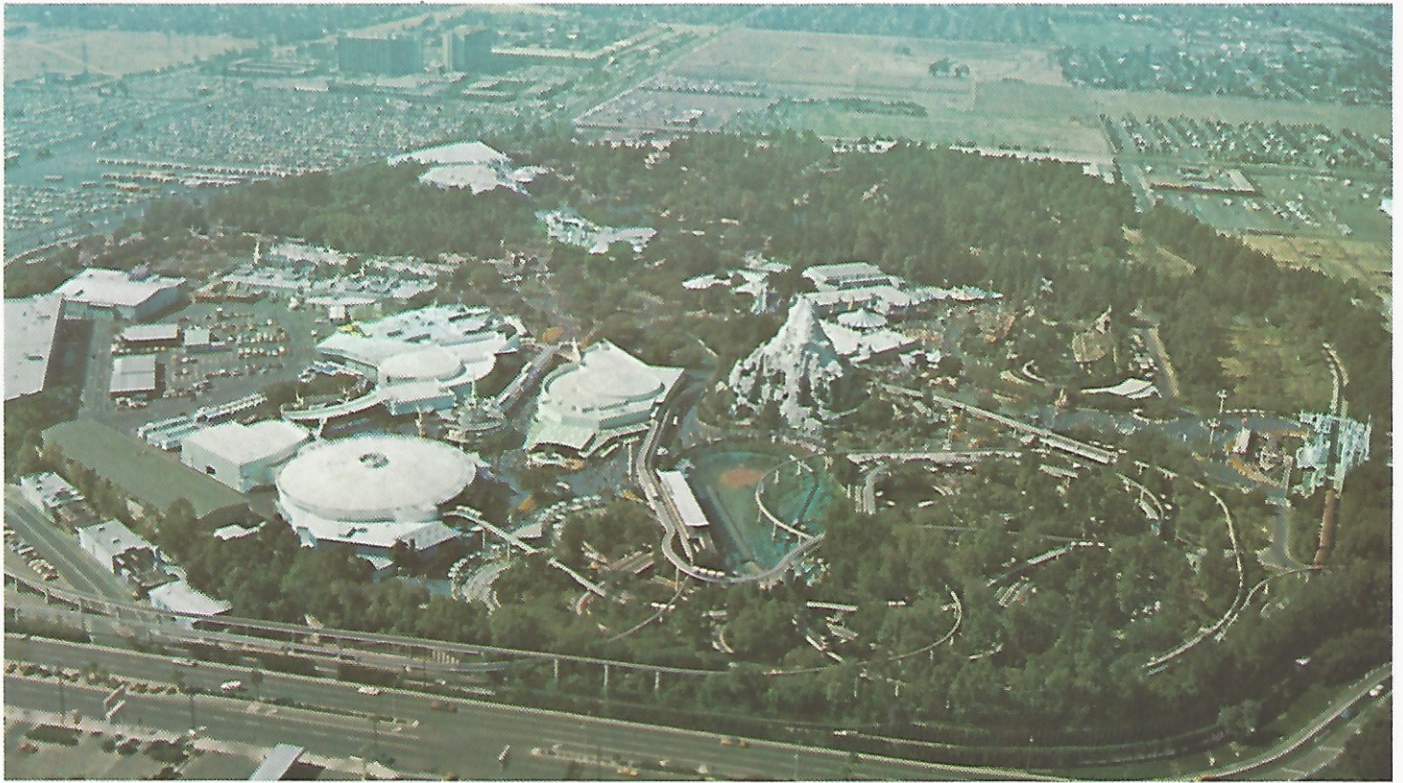
Plans are proceeding for the development of the Lake Buena Vista commercial center, a regionally-oriented center offering clusters of art, boutique and handicraft shops, convenience food stores and waterfront restaurants serving residents of Central Florida, as well as guests of Walt Disney World.

The four motels at Motor Inn Plaza—Dutch Inns, Howard Johnson's, Royal Inns and Travelodge—have benefited from Walt Disney World reservation referrals, and have become a good source of revenue for the Company.

In California, the 681-acre Golden Oak Ranch, located in the Newhall-Saugus area near Los Angeles, represents an increasingly valuable asset to the Company. While operating as a ranch, the property has been used for many years as a filming location by Walt Disney Productions, and by other motion picture producers on a rental basis.

With the rapid growth of the surrounding communities, the Golden Oak Ranch holds increasing potential for recreational development in accordance with the Los Angeles County master plan, and the Company is currently giving careful study to this opportunity.

In Anaheim, the Disneyland Hotel is located on a 40-acre parcel of land owned by Disney, and the Company also owns another 40 acres just to the north of the Hotel. As part of our conditional agreement to purchase the Disneyland Hotel from the Wrather Corporation, Wrather would convey to Disney the lease it holds on another contiguous 20-acre parcel of land. Therefore, if acquisition of the Hotel is completed in 1974, the Company will have the potential to master plan and develop an 100-acre accommodations-oriented visitor complex adjacent to Disneyland.



Disneyland



Attendance during 1973 was the second highest for any fiscal year in Disneyland's history; 10,152,000 guests entered the Park, 5.2% above the previous year. More than 60% of these guests reside within the state of California.

Per capita spending also increased, pushing revenues up 10.9% to a record \$91,189,000, which may be broken down as follows: admission and rides, \$46,869,000; merchandise sales, \$20,134,000; food sales, \$18,555,000; lessee and other rentals, \$5,126,000; and other revenues \$505,000.

During the year, new labor contracts were successfully negotiated with all of the unions representing employees at Disneyland, assuring continuity of operation without strikes through March, 1976.

25% of Disneyland's total attendance in 1973 was generated by the Park's Group Sales Department, which is responsible for pre-sold "private parties" for corporations, the military and other organizations, grad nights and "hard ticket" special events.

During 1973, 68% of all public high schools in California



THEME PARK ENTERTAINMENT AND SPECIAL EVENTS: Our Entertainment Division creates and stages such spectacular special events as the Main Street Electrical Parade and the Christmas "Fantasy on Parade" (above), and brings to our theme parks top name entertainment like Duke Ellington and his orchestra (right).



celebrated their graduation nights at Disneyland, while 72 corporations, military and other organizations "purchased Disneyland for a night." These "private parties" have become an essential ingredient in the Park's 32-week off-season marketing plan, which enables Disneyland to operate during winter evenings and at other times when it would normally be closed.

Youth events, convention sales, senior citizen days and Armed Forces weekends, together with a wide variety of special events and holiday promotions, also helped to generate repeat visits by residents of the local Southern California area.

Another 35% of Disneyland's total attendance came from "special value" admission tickets purchased by members of the Magic Kingdom Club, so it may be said that the Disney marketing team communicates directly with 60% of all the Park's visitors.

As at Walt Disney World, our Entertainment Division staged a number of special events in celebration of the Company's 50th anniversary, including the dedication ceremonies, last April, for the Walt Disney Story, now a





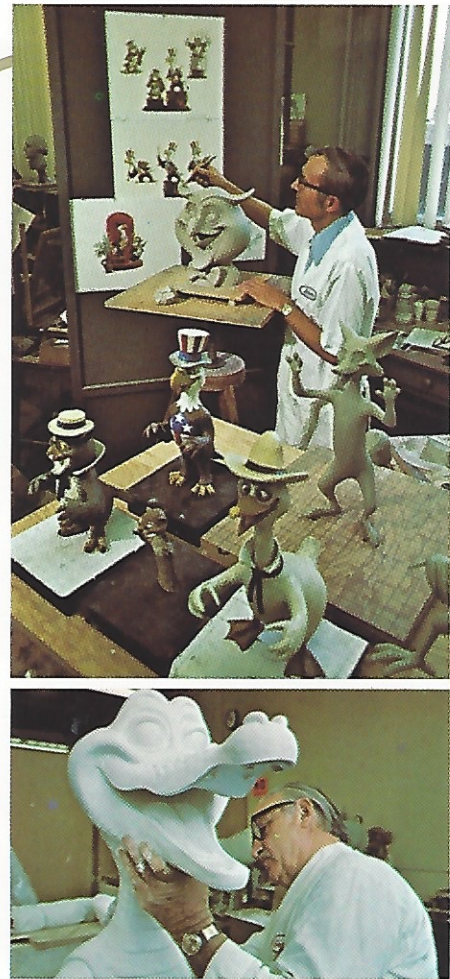
continuing attraction in the Main Street Opera House.

Our Entertainment Division represents the largest permanent staff of production personnel and performers for the creation and presentation of live entertainment in the world. The Company employs more musicians on a permanent basis than any other organization.

The Entertainment Division not only develops its own properties and productions for presentation within our two theme parks, but during the past year, it has also produced Disney-themed presentations for the Rose Bowl Parade, the Orange Bowl half-time show, the Macy's Thanksgiving Day pre-parade television show, the Radio City Music Hall in New York, the Academy Awards television show, and symphony orchestra programs across the country.

In addition to the highly popular "Fantasy on Parade" seen during the Christmas season at Disneyland, the Entertainment Division also produced the spectacular Main Street Electrical Parade, which was most frequently named by our summer guests as the reason for their return visits. This pageant will again be seen during the summer, 1974 season, during which the Park will also debut "America Sings," an all-new, all "Audio-Animatronics" attraction in Tomorrowland. Housed in the former General Electric pavilion, this five-stage presentation will trace the history of American popular music, with humorous animals performing America's favorite songs from throughout the years.

The Park has an additional 35 acres available for the development of new attractions in the future.



"AMERICA SINGS": Sculptors at WED Enterprises work from character sketches to create full-scale models of the "Audio-Animatronics" animal characters for this new Disneyland attraction. Presented in a carousel moving theater format, the animal performers in "America Sings" will take guests on a nostalgic tour of American musical history.



ANCILLARY ACTIVITIES

The ancillary activities of the Company are those businesses which have evolved from the characters, stories and music created for Disney films throughout the years. These businesses, which include the Walt Disney Educational Media Company whose revenues are reported as part of motion picture revenues, have experienced consistent growth during the past four years. In reference to the activities of the Character Merchandising and Publications Divisions, this growth could be termed dramatic. Their combined revenues reflect a four-year growth of 228% (see chart below). Following are some of the highlights of these activities during the past year:

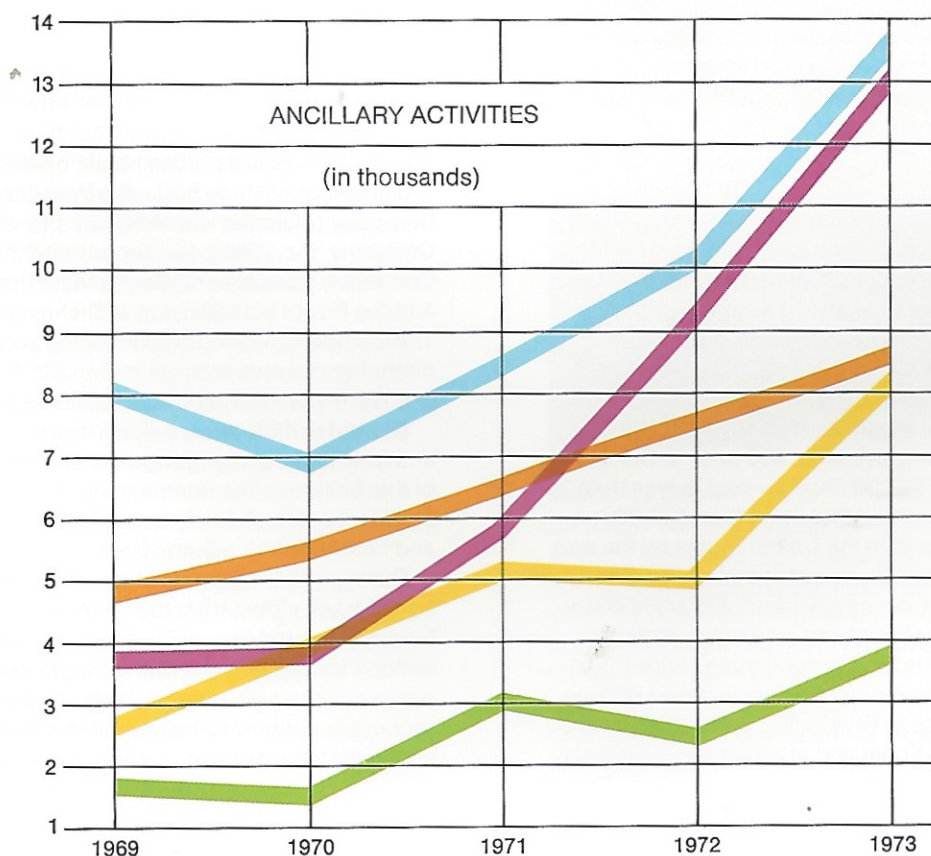
Character Merchandising On a worldwide basis, the past four years have seen a marked increase in the production and sale of licensed Disney character merchandise, and perhaps the most successful licensing agreement in history has been that between Walt Disney

Productions and the Sears Roebuck Company.

The program began with the introduction by Sears of a complete line of "Winnie the Pooh"-themed children's apparel, and it has grown into a multi-million dollar part of the Sears Roebuck business, with Sears promoting the apparel by sponsoring four showings each of the two Disney "Winnie the Pooh" half-hour television specials. The program now encompasses a special line of toys, and the "Winnie the Pooh" line of clothing has been expanded from its original age level of three to six years to include children up to 14 years of age. Sears projects that its huge dollar volume will increase at the rate of 10% per year during the next five years, with corresponding increases in Disney royalties.

The Walt Disney Distributing Company, organized in 1972, designs and contracts for the manufacture, direct import and wholesale distribution, both domestically and internationally, of Disney character merchandise. In its first full year of operation, just concluded, the Distributing Company posted \$4,396,000 in wholesale sales of such key items as T-shirts, sweat shirts, stuffed animals, and novelty and costume jewelry, and these figures do not include the merchandise it produced for sale to and

Activity	1969	1970	1971	1972	1973
Character Merchandising . . .	\$3,723	\$3,879	\$5,872	\$9,360	\$13,035
Publications	2,791	3,951	5,244	5,029	8,356
Music & Records	8,039	6,966	8,517	10,846	13,655
Other	1,704	1,500	3,147	2,491	3,790
Educational Media Co.	4,831	5,463	6,509	7,530	8,556





ANCILLARY ACTIVITIES: "The Art of Walt Disney" (left), published by Harry N. Abrams, Inc., the first definitive work on the artistic creations of Walt Disney and his staff; primary age children work with Walt Disney educational products in an elementary school media center (above); manufacturing the "Robin Hood" sound track album (above, right); and a display of character merchandise from the Walt Disney Distributing Company (right).

through Disneyland and Walt Disney World. This new company also supervises the distribution of the Disney-themed character clocks and watches manufactured by Elgin, an activity which brought royalties of \$974,000 during fiscal 1973.

Operating under the name of Unoco, the Company has begun to manage and operate retail stores which do not carry the Disney name, and are located outside of either Disneyland or Walt Disney World. Fourteen Unoco shops are now being operated in the hotels at Motor Inn Plaza in the city of Lake Buena Vista, Florida. One day, Unoco will operate many of the shops in the Lake Buena Vista commercial center.

Publications October 16, the date of the Company's 50th Anniversary, brought the publication of "The Art of Walt Disney—from Mickey Mouse to the Magic Kingdoms," a masterful 458-page tribute to Walt Disney and the many talented artists who have worked at the studio throughout the years. Published by Harry N. Abrams, Inc., the renowned creators of quality art books, "The Art of Walt Disney" features 763 illustrations, including 351 plates in full color taken from the studio's exhaustive archives.

A \$45 volume, specially priced at \$35 prior to Christmas, its first two printings—200,000 copies—sold in less than three months. It is anticipated that more than 400,000 copies will have been sold in the United States by the end of 1974, and that total worldwide retail sales in English and foreign language versions will reach \$25,000,000 by the end of 1976. The book ranks as one of the most successful ventures of its kind in publishing history.

Overall, Disney publications revenues jumped 66% in 1973, bolstered by close to \$1,900,000 in royalties from a 20-volume set of educational and entertaining children's

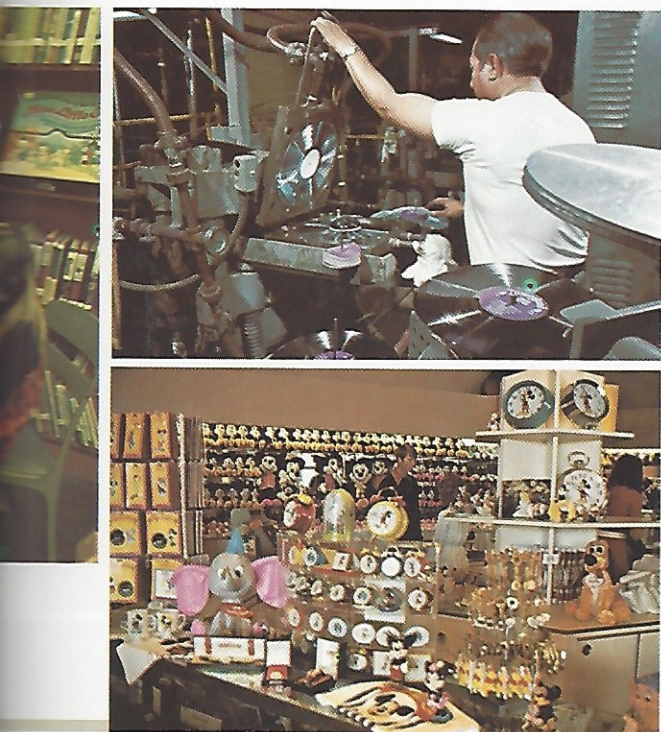
books entitled "Disney's Wonderful World of Knowledge." 1974 will mark the introduction of another 23-book set entitled "Disney's It's a Small World." Each volume will take children on an informative visit to a different nation of the world, with Disney characters serving as their guides.

The Company, together with Random House, one of the finest publishers of children's books in the world, has established a new Disney Book Club, which is marketed by direct mail, as are the two book sets mentioned above. In only one year, the Club has enrolled 100,000 members, and it is expected that its membership will climb to 500,000 by 1975.

Music and Records Our music operations consist of two music publishing firms, the Walt Disney Music Company (affiliated with ASCAP) and Wonderland Music Company, Inc. (BMI); two record operations, Disneyland Children's Records and Buena Vista Popular Records; and the Direct Mail Division of Disneyland Records. The Company has music publishing subsidiaries and distributes its own records in Canada, England, France and Germany, dealing through licensees in other countries.

Disneyland Children's Records are sold in 30 nations and in 14 different languages, and the steady growth of this business has been a reflection of the continuing popularity of such basic catalogue items as sound track and "story-teller" albums from the classic Disney films.

During 1974, revenues should benefit from sales of the sound track album from the Company's newest feature-length animated film, "Robin Hood." The continuing outlook for this business remains strong, as record retailers acknowledge that the market for children's records is not only growing, but is considerably more stable than the general popular music field.



The Educational Media Company The Walt Disney Educational Media Company markets a wide range of educational films, film strips, records, study prints, film loops and other audio-visual teaching aids for the expanding knowledge and information field.

The Company's recently-expanded new product development staff creates instructional tools, as well as producing original films and, with the assistance of studio animation and production personnel, adaptations from the vast Disney library, which deal with subjects of current and critical importance to educators. New materials are tested with learners and teachers at many stages of production, and each finished product is accompanied by its own detailed teaching guide. During 1973, this line of educational films and audio-visual materials increased by 27% to a total of 890 different products.

The Company is also responsible for the worldwide non-theatrical rental of 16mm films, and the direct sale of both silent and sound 8mm excerpts from classic Disney motion pictures. In 1973, revenues from the sale of 8mm home movies rose 58% to \$1,664,000, signaling a renewed interest in home entertainment, both in the United States and Europe. To reinforce this trend, the Educational Media Company joined the Record Company in establishing new distribution channels for these products through toy and record stores.

During the year, the Company also took steps to re-structure its administrative and marketing program in order to concentrate sales efforts in the geographical regions of the United States where the greatest expenditures for audio-visual products are being made. The groundwork laid during the past year should be reflected in continuing growth during the years to come.

Disney on Parade Since the inception of this traveling arena show in 1969, subsidiaries of this Company and NBC have produced and toured four totally different productions throughout the United States. NBC financed the venture and the Disney organization contributed its classic stories, characters and creative talents.

Worldwide, these shows have played to almost 17 million people, and have grossed more than \$55.5 million at the box office. However, the entire project has yet to fully amortize its production costs, due primarily to the high cost of maintaining and operating a traveling show of this calibre.

Therefore, the decision has been made not to produce a fifth show, although the fourth production will complete its United States tour during 1974, and all four productions will be toured extensively throughout the world. The "Alice in Wonderland" unit recently completed an outstanding engagement in Brazil, being seen by more than 740,000 people in the cities of Brasilia, Rio de Janeiro and Sao Paulo.

Plans are now being developed for additional playdates in Australia, New Zealand, the orient, South America and Europe.

Through the four productions of "Disney on Parade," the Company has been able to introduce our cartoon characters, on an in-person basis, to a new generation of children around the world, an achievement which has been of substantial value to the Company's overall character merchandising, publications, music and educational activities.



Celebrity Sports Center The Company continues to profitably operate this indoor recreational complex in Denver, Colorado. The center offers 80 lanes of bowling, an olympic swimming pool (above) and a wide variety of other recreational activities and restaurants. The Company controls through fee ownership and long-term lease virtually the entire block on which Celebrity Sports Center is located in the heart of Denver's rapidly growing Cherry Creek section. The property is steadily increasing in value and holds additional potential for commercial development.



FABULOUS "FANTASIA": This Disney classic, now in its fifth consecutive year of domestic reissue, grossed more than \$1,000,000 at the box office in only 70 theaters during the month of October. "Fantasia" recently began its third reissue in Italy, and initial reports indicate that film rentals may reach \$1,000,000. "Fantasia" could become the highest grossing American motion picture of the year in Italy. In Europe (left) and Latin America, "The Disney Cartoon Jubilee", a 50th Anniversary program comprised of eleven short subjects, will bring an estimated \$1,700,000 in film rentals, demonstrating the continuing value of the short subjects in our film library. At the National Association of Theater Owners convention in San Francisco, exhibitors were entertained by the Mike Curb Congregation (right) during our presentation of Disney motion picture product for 1974. N.A.T.O. honored our President, E. Cardon Walker, with its International Showmanship Award, in recognition of the Company's golden anniversary.



MOTION PICTURE DISTRIBUTION

Worldwide film revenues reached an all-time high of \$75,077,000 during fiscal 1973, the result of record-breaking performances by all three organizations whose activities make up this figure—Buena Vista Distribution Company, our domestic distribution organization; Buena Vista International, our foreign distribution subsidiary; and the Walt Disney Educational Media Company, which also handles the non-theatrical rental of 16mm films.

Domestic film rentals reached \$40,185,000, surpassing the long-standing record established in 1965 during the original release of "Mary Poppins," and up 13% over 1972.

However, in 1973, rather than coming from one major release, these revenues resulted from the consistent performance and public acceptance of eight features or programs comprised of both new releases and reissues. These were "Dumbo"/"Lobo," "Snowball Express," "Sword in the Stone," "World's Greatest Athlete," "Charley and the Angel"/"Cinderella," "Mary Poppins," "One Little Indian," and "The Aristocats"/"Song of the South." "The Aristocats" and "Song of the South," which had been in domestic release for some time, were offered

to exhibitors as a program during the summer months, just prior to being withdrawn from distribution.

In 1972, Buena Vista International's revenues jumped 21% to \$26,161,000, due primarily to the performance of "The Aristocats," which became the highest grossing foreign release in the Company's history, earning more than \$16,000,000 in foreign distribution alone. During the past year, "Bedknobs and Broomsticks" performed well throughout the world. Foreign rentals for the film are now estimated to reach \$8,900,000 (domestically, the picture will gross an estimated \$8,600,000).

However, the key reason why foreign film rentals increased slightly to \$26,336,000 during fiscal 1973 was the spectacular performance of reissues from the Company's timeless film library. For example, "Snow White and the Seven Dwarfs" will bring film rentals of \$1,350,000 in Italy and \$1,730,000 in England. For both nations, these were the highest grossing Disney reissues in history. In France, "101 Dalmatians" will bring revenues of \$1,600,000, almost twice as much as any other reissue in that nation's history.



TOTAL MARKETING "ROBIN HOOD"

Three years in the making, "Robin Hood," the newest full-length animated feature to come from the studio's unparalleled animation team, premiered as the Christmas attraction at New York's famous Radio City Music Hall last November 8th, and grossed more than \$260,000 at the box office during the Thanksgiving holiday week.

Backed by a "total Disney marketing" campaign that achieved an estimated *eight billion* "impressions" through radio and television advertising, publicity, in-theater promotion, character merchandising, music, records, publications and tie-in advertising, the film began 400 selective engagements across the United States and Canada on December 21.

A year-long schedule of network and syndicated television appearances by Disney animators and other personalities, a twenty-city promotional tour featuring

costume characters from the film, special press and exhibitor previews at both the Burbank studio and Walt Disney World in Florida, and a ten-minute excerpt from "Robin Hood" on the "Wonderful World of Disney" added to the excitement of the pre-release campaign.

Most rewarding, however, has been the reaction of the press and the public to the picture itself. The New York Daily News gave the film a four-star rating and the New York Post said "adults are likely to enjoy it as much as the youngsters." The Long Island Press said that the film "delights kids of all ages" and has "all the best of the old Disney charm!"

Thus far, audience response indicates that "Robin Hood" will become another Disney classic in the tradition of our past two successes, "The Jungle Book" and "The Aristocats."

"ROBIN HOOD" PROMOTION: Pat Boone hosted an hour-long, nationally televised tribute to the Disney organization prior to the Macy's Thanksgiving Day Parade in New York. The new "Robin Hood" costume characters were featured in both the pre-show and parade activities.



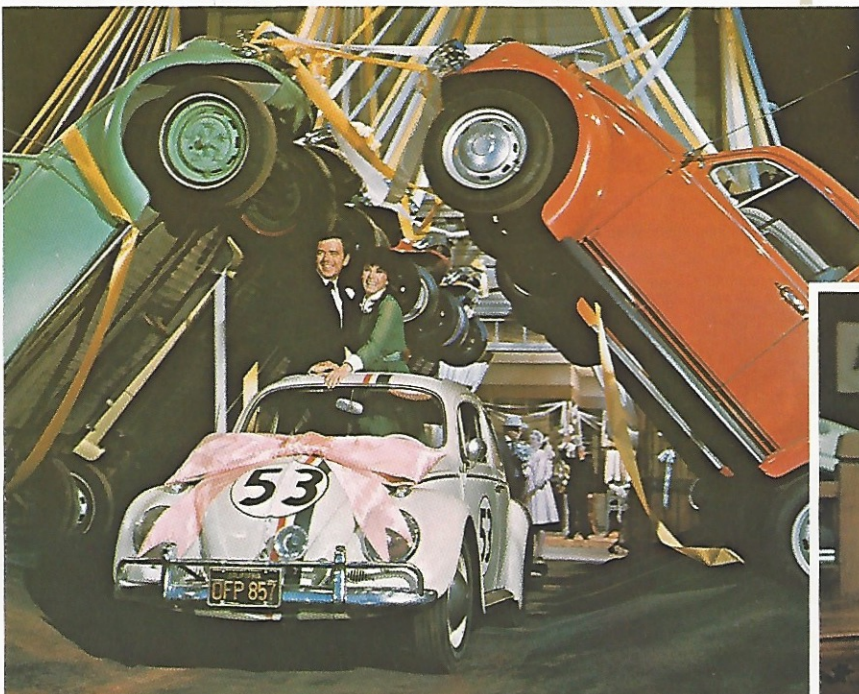
**1974 AN EXCITING LINEUP
OF COMEDY, CLASSIC ANIMATION
AND HIGH ADVENTURE**



FEBRUARY, 1974: In "Superdad," an establishment father over-complicates his relationship with his daughter by trying to steer her toward a husband in his own likeness. Starring Bob Crane, Barbara Rush, Kurt Russell, Joe Flynn and Kathleen Cody, this generation-gap romantic comedy was produced by Bill Anderson and directed by Vince McEveety.

EASTER: Due to growing public interest in the studio's animated classics, particularly among young adults, "Alice in Wonderland" returns to motion picture theaters for the first time since its initial release in 1951. Based on Lewis Carroll's classic story of a little English girl's incredible adventures in a world of pure fantasy, this full-length animated cartoon features Disney's largest array of zany characters and one of the studio's most memorable musical scores.

SUMMER: Herbie, the versatile Volkswagen of "The Love Bug" fame, returns for more madcap adventures in "Herbie Rides Again." Sharing the spotlight are Helen Hayes, Ken Berry, Stefanie Powers, John McIntire and Keenan Wynn in this story of a little old lady who defies a construction baron's attempts to snatch her San Francisco property. Bill Walsh wrote and produced this happy sequel, directed by Robert Stevenson.

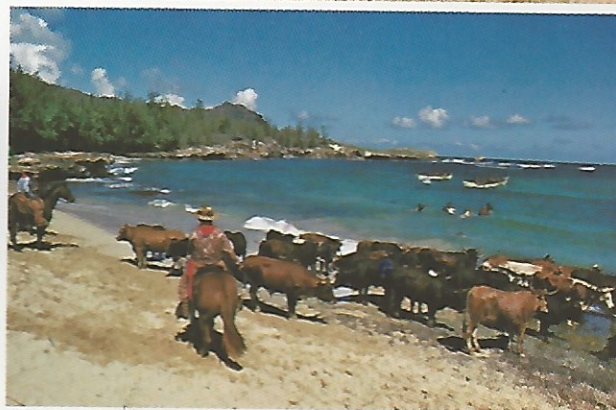


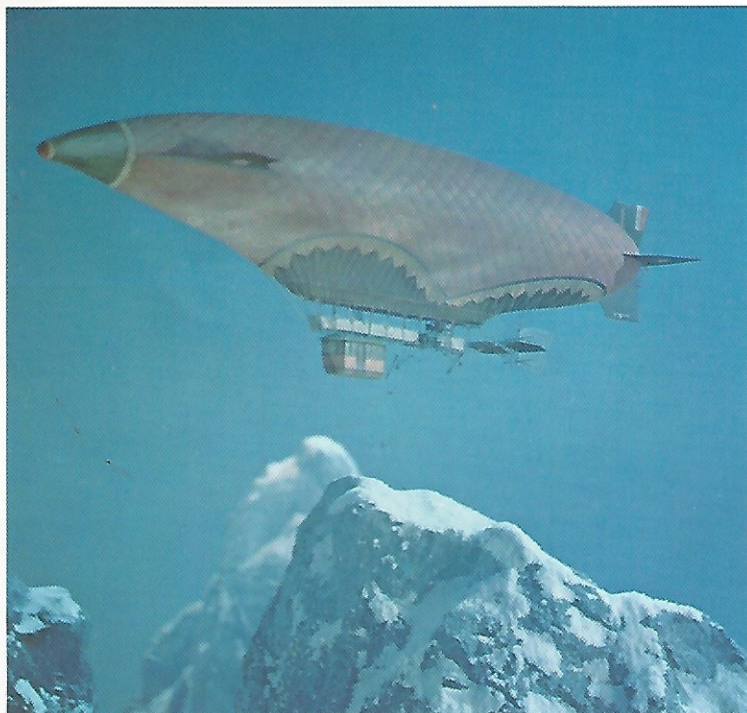


SUMMER: "The Bears and I," an outdoor nature drama filmed amid the scenic grandeur of the Canadian Rockies. Pat Wayne stars as a young war veteran escaping the rigors of civilization in the wilderness who suddenly finds himself the protector of three orphaned bear cubs. Michael Ansara, Chief Dan George and Andrew Duggan are co-starred. Winston Hibler produced and Bernard McEveety directed.

SUMMER: Filmed on location on Kauai, the garden isle of Hawaii, "Castaway Cowboy" stars James Garner as a shanghaied Texan who turns a bunch of happy-go-lucky islanders into hardriding cowhands to save the ranch of a pretty widow, played by Vera Miles. This rousing screen adventure was produced by Ron Miller and Winston Hibler and directed by Vince McEveety.

OCTOBER: "Lt. Robin Crusoe, U.S.N.," starring Dick Van Dyke and Nancy Kwan in a modern, mirthful adaptation of the traditional Crusoe story, returns for its first re-release. Van Dyke, in top comedic form, plays a navy pilot forced down on a deserted tropical island, who with the help of a lovely native girl and a stranded space chimp, survives one hilarious adventure after another—until the surprise fade-out.





ANIMATION: Woolie Reitherman, producer-director of our feature-length cartoons, meets with some of the talented young animators now working on a new "Winnie the Pooh" featurette at the Studio. Below and far right, early sketches of the principal characters for "The Rescuers", the Company's next feature-length animated film, now in production.



DECEMBER: "The Island at the Top of the World," a saga of excitement, danger and high adventure in the Jules Verne-tradition, a suspense-filled story about four polar explorers who discover a volcanically-heated island inhabited by Vikings, comes to the screen after more than three years in various phases of production at the Disney Studio. Filmed on locations in the fjords of Norway, in Canada and beyond the Arctic Circle and starring an international cast headed by David Hartman, Donald Sinden, Jacques Marin, Agneta Eckemyr, David Gwillim and Mako, this multi-million dollar epic promises to be a worthy successor to "20,000 Leagues Under the Sea" and "Swiss Family Robinson," two of our most memorable screen adventures.



MOTION PICTURES AND TELEVISION

After another challenging year for our entire production team, we again find ourselves in the strong position of having completed principal photography on all of the films which will be released through Christmas, 1974. For the past several years, the studio has been in the enviable position of having its release schedule set at least twelve months in advance, something that is very unusual for our industry.

During 1974, six new properties will go before the cameras for release in 1975 and beyond. This, of course, is in addition to "The Rescuers," our next feature-length animated cartoon, which went into production immediately upon the completion of "Robin Hood" last fall. For "The Rescuers," producer-director Woolie Reitherman and the animation team have created an original story based upon the characters from the popular Margery Sharp "Bianca" stories. Two mice, Bianca and Bernard, ace trouble-shooters for the Prisoner's Aid & Rescue Society, an international all-mouse organization headquartered in the basement of United Nations building, are called upon to rescue a small girl held captive by a mysterious and villainous woman in a decrepit mansion in the swamps of South America.

Eva Gabor and Bob Newhart will supply the voices for Bianca and Bernard, with Louis Prima, Geraldine Page and Joe Flynn also set for starring voice roles. You can see that this project has all the elements to become another animated Disney classic.

For the past two years, in cooperation with many art schools throughout the United States, we have been actively searching for and training a new team of young animators, who we feel certain will provide a continuity of quality Disney animated films for many years to come. Hundreds of individual portfolios have been reviewed and at least 60 young artists were brought into a training

program conducted by members of our key animation staff at the studio. From this program have come twelve young animators and a new team of story and layout men, who show great promise for the future and are now contributing to the production of a new "Winnie the Pooh" featurette entitled "Winnie the Pooh and Tigger, Too," which is being directed by John Lounsbery, an experienced *directing animator who has been at the studio 38 years.

Turning to our live action program, Bill Anderson, next March, will put into production a contemporary comedy tentatively titled "The Instant Muscle Man." In the style of "Now You See Him, Now You Don't," it is the story of an inventive youngster who discovers a strength potion which enables him to win an inter-collegiate weight lifting championship. Vince McEveety will direct.

Fresh on the heels of "The World's Greatest Athlete" and "Herbie Rides Again," our sequel to "The Love Bug," Bill Walsh has come up with another wacky comedy entitled "One of Our Dinosaurs is Missing." Scheduled for production in London next May, it is the story of a group of English nannies who outwit a team of foreign espionage agents by stealing a dinosaur from the British Museum. Hidden on the fossil is a valuable microdot containing secret government plans.

"The Apple Dumpling Gang," a period comedy western about an itinerant gambler who becomes the reluctant foster father to three young children, will go into production next June, with Bill Anderson producing and Norman Tokar directing.

Producer Jerome Courtland plans to film "Escape to Witch Mountain" in the Monterey, California, area next spring. It's an enchanting story about two extraordinary orphan children and their search for their own people—people who have more than ordinary powers. Their journey leads them into the mountains, where some mistake them

for witches and others try to trap them. A cantankerous old man and a black cat named Winkie help them escape, and find their own world.

We are now developing another comedy simply titled "Gus" for production in August. It's the story of a mule who knows how to kick 100-yard field goals, and ends up being drafted by a losing professional football team.

October will see the production, under the guidance of Jerome Courtland, of one of the most sensitive and heart warming stories to be published for the family field in recent years. Currently one of the best-selling novels in England, "The Sporting Proposition" is a classic story about a tough Australian farm boy and a well-born and wealthy, but crippled young heiress, who each claim to be the owner of a pony. Ultimately, the local judge lets the pony make the decision for himself. Filming will take place in either Australia or the United Kingdom.

The studio is now in its 20th consecutive season of television programming, with "The Wonderful World of Disney" contracted for broadcast on the NBC Television Network through the 1975-76 season. The Company has also extended options to NBC to broadcast this hour-long, Sunday evening series through the summer of 1978. Television production is nearing completion for the 1973-74 season, which will end with a special hour-long program entitled "The Magic of Walt Disney World," which is being produced by Tom Leetch, and of course, will feature entertainment filmed on location at our "Vacation Kingdom" in Florida.

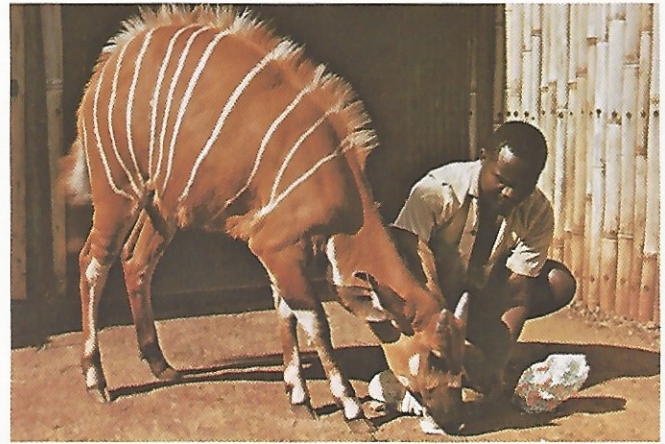
Viewer interest in "The Wonderful World of Disney" remains as strong as ever. As an example, the two episodes of the Winston Hibler-produced animal adventure, "King of the Grizzlies," ranked third and second, respectively, in the Nielsen National Survey for the weeks ended October 28 and November 4, 1973.

Recognizing the great need for improved, informative and stimulating television entertainment for children on Saturday mornings, the studio is now making a sincere effort to develop a flexible format for an hour-long Saturday morning television show. The project is being developed for presentation to NBC by the team of Jan Williams and Kevin Corcoran.

Walt Disney Productions is keenly aware of its leadership position in the field of family entertainment and the public trust that this represents. We will do our very best to justify that trust through the continuing production of innovative and entertaining motion picture and television product for the years to come.

Ron Miller

Ron Miller
Vice President-Executive Producer



TELEVISION PRODUCTION:
Future episodes of "The Wonderful World of Disney" will include:

THE BIGGEST BONGO IN THE WORLD: Filmed in Kenya, this two-part animal adventure produced by Roy E. Disney, focuses on the bongo, an extremely rare and handsome African antelope, now in danger of extinction.

THE LOST ONES: Jim Algar is producing this compelling two-part story of how two Alaskan children fight for survival when marooned on the icy winter tundra.

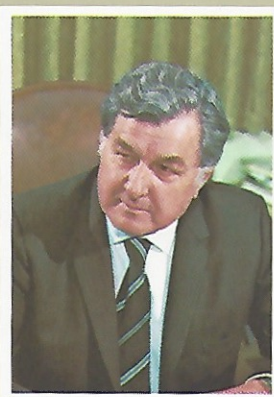
STUB, BEST COW DOG IN THE WEST: An Australian sheep dog herds western cattle, performs in rodeos and makes a daring rescue of a drowning boy in this adventure produced by Bill Anderson.

HOG WILD: Ron Miller produced this two-part western adventure about a Chicago family attempting to begin a new life in Idaho during the 1880's.



BOARD OF DIRECTORS

FINANCIAL HIGHLIGHTS



DONN B. TATUM*
Chairman of the Board
and Chief Executive Officer



E. CARDON WALKER*
President and
Chief Operating
Officer



S. CLARK BEISE
President (Retired)
Bank of America



WILLIAM H. ANDERSON
Vice President
Production and Studio
Operations



ROY E. DISNEY*
Vice President
16mm Production



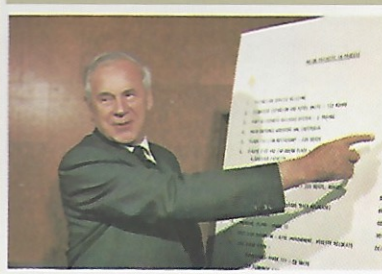
RONALD W. MILLER*
Vice President
Executive Producer



GORDON E. YOUNGMAN
Senior Partner
Youngman, Hungate
and Leopold



RICHARD T. MORROW
Vice President
General Counsel



GEORGE L. BAGNALL
President
George Bagnall
and Associates

WALT DISNEY PRODUCTIONS

	1973	1972
Revenues	\$385,065,000	\$329,437,000
Income before taxes on income	\$ 85,168,000	\$ 74,393,000
Taxes on income	\$ 37,400,000	\$ 34,100,000
Net income	\$ 47,768,000	\$ 40,293,000
Per common and common equivalent share	\$1.67	\$1.45
Per common share— assuming full dilution	\$1.67	\$1.41
Capital expenditures	\$ 85,752,000	\$142,839,000
Total assets	\$678,807,000	\$609,335,000
Long term liabilities	\$ 44,407,000	\$ 53,558,000
Stockholders equity	\$506,446,000	\$460,619,000
Per common share outstanding at year end	\$17.72	\$16.14
Common shares outstanding	28,583,779	28,547,610
Number of stockholders	49,000	36,000
Number of full-time employees	14,500	15,500

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's principal business is the production and distribution of theatrical and television films and the operation of two amusement theme parks, "Disneyland," California, and "Walt Disney World," Florida, which are referred to as entertainment and recreational activities. To more fully inform the reader, the following summary of the Company's significant accounting policies is presented as an integral part of the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant domestic and foreign subsidiaries, all wholly owned. The Company's investments in joint ventures are recorded at equity in their underlying net assets and are included in other assets.

During 1973 the Company changed from the equity method of accounting for its investments in foreign subsidiaries to full consolidation. This change in accounting had no effect on previously reported net income; for comparative purposes, the 1972 consolidated financial statements have been restated. The accounts of foreign subsidiaries have been translated into U.S. dollars at appropriate rates of exchange and the resulting net unrealized gain, which is minor, has been deferred.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost of merchandise, materials and supplies is determined generally on a first-in, first-out basis.

Costs of completed theatrical and television film productions are amortized by charges to income in the proportion that the producer's share of income (film rentals less distribution, print, co-producer participation and advertising costs) received by the Company for each production bears to the estimated total of such income to be received. Such estimates of total income are reviewed periodically and amortization is adjusted accordingly.

In prior years the Company had followed the industry practice of classifying film production costs as current assets, even though such costs would not be fully amortized within one year. In the accompanying financial statements these costs have been segregated between current and non-current classifications in conformity with the requirements of recently issued accounting guidelines for motion picture films. Other guidelines to be adopted in the Company's 1974 fiscal year will require minor changes in accounting methods which the Company presently estimates will result in a favorable, although minor, effect on net income for that year.

(The Company does not believe that these guidelines are necessarily an improvement over the Company's previous reporting practices.)

FACILITIES, PROPERTIES AND DEPRECIATION

The Company has adopted the policy of classifying as entertainment attractions and facilities the cost of its two amusement theme parks (rides, attractions, exhibits, shops), recreational facilities (lake, lagoon, golf courses), two theme resort hotels and direct support properties including buildings (warehouses, assembly plants, administration), transportation systems and roads. Other buildings, equipment and properties consist of properties at the Burbank studio and other properties not directly related to entertainment and recreational activities.

Depreciation is provided principally on the straight line method using estimated service lives ranging from 4 to 50 years. Depreciation and maintenance and repairs are charged either directly to costs and expenses as incurred or to film production costs which are then amortized against income; major replacements and betterments are capitalized. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any resulting gain or loss is recorded in income.

Effective October 1, 1972, the Company extended the estimated service lives of certain Disneyland assets in recognition of the continuing audience appeal and usefulness of Disneyland attractions. As a result of this change, net income for fiscal year 1973 was increased by approximately \$1,300,000 (5 cents per share).

PREOPENING COSTS

Deferred preopening costs and expenses relating to Walt Disney World are being amortized over five years, commencing October 1971.

TAXES ON INCOME

Deferred taxes on income represent deferred investment tax credits and taxes which will not become payable until future years due principally to differences between financial and tax reporting of depreciation on facilities and amortization of preopening costs. Investment tax credits, accounted for by the deferral method, are amortized as a reduction of the provision for taxes on income over the average service lives of the related assets.

STOCK OPTIONS

Proceeds from the sale of common stock issued under stock option plans are accounted for as capital transactions and no charges or credits are made to income in connection with the plans.

CONSOLIDATED STATEMENT OF INCOME

REVENUES

	Year Ended September 30 1973	Year Ended September 30 1972*
Entertainment and recreational activities	\$261,514,000	\$223,416,000
Film rentals	84,715,000	78,295,000
Other—publications, merchandising, music and records	38,836,000	27,726,000
Total revenues	385,065,000	329,437,000

COSTS AND EXPENSES

Entertainment and recreational activities	211,883,000	185,618,000
Film distribution and amortization	45,140,000	39,189,000
Costs applicable to other revenues	22,812,000	15,203,000
General, administrative and selling	15,224,000	13,219,000
Interest (note 4)	4,838,000	1,815,000
Total costs and expenses	299,897,000	255,044,000

INCOME BEFORE TAXES ON INCOME	85,168,000	74,393,000
Taxes on income (note 3)	37,400,000	34,100,000

NET INCOME	\$ 47,768,000	\$ 40,293,000
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EARNINGS (note 8)

Per common and common equivalent share	\$1.67	\$1.45
Per common share—assuming full dilution	\$1.67	\$1.41

*Reclassified for comparative purposes.
See notes to consolidated financial statements and summary of significant accounting policies.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Walt Disney Productions

We have examined the consolidated balance sheet of Walt Disney Productions and its subsidiaries as of September 30, 1973 and 1972 and the related consolidated statements of income, stockholders equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in the Summary of Significant Accounting Policies, during 1973 the Company retroactively changed its method of classifying film production costs to conform to recently issued accounting guidelines for motion picture films.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Walt Disney Productions and its subsidiaries at September 30, 1973 and 1972 and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, referred to in the preceding paragraph.

Los Angeles, California
November 30, 1973

Price Waterhouse & Co.

CONSOLIDATED BALANCE SHEET

	September 30 1973	September 30 1972*
ASSETS		
CURRENT ASSETS		
Cash (note 4)	\$ 9,564,000	\$ 12,308,000
Accounts receivable, less allowances	15,920,000	14,820,000
Inventories		
Film production costs (note 1)	20,367,000	13,037,000
Merchandise, materials and supplies	17,957,000	14,453,000
Prepaid expenses	5,286,000	3,869,000
Total current assets	<u>69,094,000</u>	<u>58,487,000</u>
 NON-CURRENT FILM PRODUCTION COSTS (note 1)	 <u>22,403,000</u>	 <u>22,424,000</u>
 ENTERTAINMENT ATTRACTIONS AND FACILITIES—at cost	 552,447,000	 519,740,000
Less accumulated depreciation	(98,700,000)	(75,130,000)
	<u>453,747,000</u>	<u>444,610,000</u>
 OTHER BUILDINGS, EQUIPMENT AND PROPERTIES—at cost	 52,847,000	 41,001,000
Less accumulated depreciation	(14,325,000)	(12,148,000)
	<u>38,522,000</u>	<u>28,853,000</u>
 CONSTRUCTION IN PROGRESS—at cost	 <u>65,220,000</u>	 <u>24,831,000</u>
 LAND—at cost	 <u>16,498,000</u>	 <u>16,494,000</u>
 OTHER ASSETS (note 2)	 13,323,000	 13,636,000
	<u>\$678,807,000</u>	<u>\$609,335,000</u>

*Reclassified for comparative purposes.
See notes to consolidated financial statements and summary of significant accounting policies.

Walt Disney Productions and Subsidiaries

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

	September 30 1973	September 30 1972*
Notes payable to banks (note 4)	\$ 12,000,000	\$ 9,000,000
Accounts payable	21,094,000	16,487,000
Payroll and employee benefits	8,565,000	7,074,000
Property, payroll and other taxes	4,343,000	4,258,000
Taxes on income (note 3)	21,462,000	15,231,000
Total current liabilities	<u>67,464,000</u>	<u>52,050,000</u>

LONG TERM LIABILITIES (note 4)

Notes payable to banks	39,000,000	51,000,000
Other	<u>5,407,000</u>	<u>2,558,000</u>
	<u>44,407,000</u>	<u>53,558,000</u>

DEFERRED CREDITS

Unearned deposits and rentals	9,319,000	8,390,000
Deferred taxes on income and investment credits (note 3)	<u>51,171,000</u>	<u>34,718,000</u>
	<u>60,490,000</u>	<u>43,108,000</u>

COMMITMENTS (note 7)

STOCKHOLDERS EQUITY (note 6)

Preferred shares, \$20 par value		
Authorized—5,000,000 shares; none issued		
Common shares, \$1.25 par value		
Authorized—75,000,000 shares		
Issued and outstanding—28,583,779 and 28,547,610 shares	35,730,000	35,685,000
Capital in excess of par value	337,408,000	335,965,000
Accumulated earnings	<u>133,308,000</u>	<u>88,969,000</u>
	<u>506,446,000</u>	<u>460,619,000</u>
	<u>\$678,807,000</u>	<u>\$609,335,000</u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Common Shares Number	Common Shares Par Value	Capital In Excess of Par Value	Accumulated Earnings
Balance at October 2, 1971 as restated				
for stock split (note 6)	25,834,590	\$32,293,000	\$208,715,000	\$ 77,456,000
Shares issued				
Exercise of stock options	625,422	782,000	5,356,000	
Conversion of 4¾ % convertible debentures (note 6)	1,569,028	1,962,000	96,038,000	
Income tax benefit from sale of option shares by employees			480,000	
Dividends paid				
In cash (10¢ per share)				(2,756,000)
In stock (2%)	518,570	648,000	25,376,000	(26,024,000)
Net income for the year				40,293,000
Balance at September 30, 1972	28,547,610	35,685,000	335,965,000	88,969,000
Shares issued				
Exercise of stock options (note 6)	36,169	45,000	743,000	
Income tax benefit from sale of option shares by employees			700,000	
Dividends paid				
In cash (12¢ per share)				(3,429,000)
Net income for the year				47,768,000
Balance at September 30, 1973	<u>28,583,779</u>	<u>\$35,730,000</u>	<u>\$337,408,000</u>	<u>\$133,308,000</u>

See notes to consolidated financial statements and summary of significant accounting policies.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	September 30 1973	September 30 1972*
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations		
Net income	\$ 47,768,000	\$ 40,293,000
Expenses not affecting working capital		
Depreciation	26,553,000	24,490,000
Amortization of preopening costs	2,429,000	2,264,000
Deferred taxes on income and investment credits	16,453,000	12,267,000
Working capital provided by operations	93,203,000	79,314,000
Increase in long term liabilities		
Bank borrowing		51,000,000
Other	3,425,000	
Increase in common stock		
Proceeds from exercise of stock options	1,488,000	6,618,000
Conversion of 4¾% convertible debentures		98,000,000
Reduction in non-current film production costs	21,509,000	14,316,000
Increase in unearned deposits and rentals	929,000	797,000
	<u>120,554,000</u>	<u>250,045,000</u>
FINANCIAL RESOURCES WERE USED FOR:		
Additions to facilities, properties and construction		
in progress, principally Walt Disney World	85,752,000	142,839,000
Additions to non-current film production costs	21,488,000	23,191,000
Reduction of long term liabilities		
Bank borrowing	12,000,000	
Conversion of 4¾% convertible debentures		100,000,000
Other	576,000	260,000
Cash dividends	3,429,000	2,756,000
Deferred preopening costs		4,656,000
Other	2,116,000	392,000
	<u>125,361,000</u>	<u>274,094,000</u>
Decrease in working capital	<u>\$ (4,807,000)</u>	<u>\$ (24,049,000)</u>
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:		
Cash and short term investments	\$ (2,744,000)	\$ (24,433,000)
Accounts receivable	1,100,000	(23,000)
Inventories	10,834,000	5,350,000
Prepaid expenses	1,417,000	1,118,000
Notes payable to banks	(3,000,000)	(9,000,000)
Accounts payable	(4,607,000)	14,945,000
Payroll and employee benefits	(1,491,000)	(846,000)
Property, payroll and other taxes	(85,000)	1,062,000
Taxes on income	(6,231,000)	(12,222,000)
Decrease in working capital	<u>\$ (4,807,000)</u>	<u>\$ (24,049,000)</u>

*Reclassified for comparative purposes.

See notes to consolidated financial statements and summary of significant accounting policies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

INVENTORIES—FILM PRODUCTION COSTS:

Inventories of theatrical and television film productions, at cost, include the following components:

	1973	1972
Released, less amortization	\$14,362,000	\$ 9,888,000
Completed, not yet released	10,561,000	3,902,000
In process	17,847,000	21,671,000
	<u>42,770,000</u>	<u>35,461,000</u>
Less: Non-current film production costs	<u>22,403,000</u>	<u>22,424,000</u>
Total current film production costs	<u>\$20,367,000</u>	<u>\$13,037,000</u>

NOTE 2

OTHER ASSETS:

At September 30, 1973 other assets include unamortized deferred preopening costs of \$7,855,000 (\$10,284,000—1972) and the Company's majority interest in a joint venture with a subsidiary of Florida Telephone Corporation of \$3,241,000 (\$2,232,000—1972) which approximates its underlying equity.

NOTE 3

TAXES ON INCOME:

The provision for taxes on income includes:

	1973	1972
Current—Federal	\$16,265,000	\$17,136,000
—State and Foreign	4,682,000	4,697,000
Deferred	18,969,000	13,000,000
Investment credits amortized	(2,516,000)	(733,000)
Total provision	<u>\$37,400,000</u>	<u>\$34,100,000</u>

The reduced effective tax rate for fiscal year 1973 is principally due to investment tax credits and the tax benefit resulting from certain 1973 income taxed under the Internal Revenue Code section applicable to a Domestic International Sales Corporation.

Investment tax credits under the Revenue Act of 1971 amounting to \$12,501,000 at September 30, 1973 (\$6,418,000—1972) related to qualifying asset additions (including theatrical and television film productions) are deferred. The Company also has substantial claims on file for investment tax credits on theatrical and television film productions under the Revenue Act of 1962, which are currently the subject of litigation. The United States Court of Appeals for the Ninth Circuit on May 29, 1973 upheld a judgment in favor of the Company rendered by the United States District Court. The judgment is not final because the time within which the government may petition the

United States Supreme Court for review has not expired. The judgment involves the Company's claim for a refund with respect to its income tax return for fiscal year 1962 amounting to \$99,160 plus interest of approximately \$35,000. In addition, the Company believes that the principles established in the case also apply to fiscal years subsequent to 1962. The Company has filed suit claiming tax refunds for fiscal 1963 through 1969 totaling approximately \$6,900,000, exclusive of accrued interest of approximately \$2,500,000. These claims will not be reflected in the Company's accounts until collection is assured.

NOTE 4

NOTES PAYABLE AND LONG TERM LIABILITIES:

The Company's borrowings under an unsecured bank loan agreement were \$51,000,000 at September 30, 1973 (\$60,000,000—1972) payable in annual instalments (\$12,000,000 and \$15,000,000 in fiscal years 1974-1976 and 1977, respectively). Interest is payable quarterly at rates ranging from ¼ % to ½ % above prime. The loan agreement contains certain provisions with respect to payment of cash dividends, maintenance of net worth, compensating cash balances and future indebtedness. At September 30, 1973 approximately \$87,000,000 of accumulated earnings are free of restrictions. The Company also has available a revolving unsecured line of bank credit of \$40,000,000 with interest at prime. Pursuant to the terms of these bank credit arrangements, deposit balances equal to 15% of the outstanding borrowings and 10% of the unused portion of the revolving line are required to be maintained.

At September 30, 1973 other long term liabilities of \$3,746,000 (\$1,625,000—1972), maturing through 1988 and bearing interest at rates ranging from 4% to 8%, are partially secured by land and other properties.

In addition to the interest charged against operations, \$2,200,000 of interest paid through completion of major construction of Walt Disney World in fiscal 1972 was included in deferred preopening costs.

NOTE 5

PENSION PLANS:

The Company contributes to various domestic trustee pension plans under union and industry-wide agreements. Contributions are based on the hours worked by or gross wages paid to covered employees. The Company has no past service liability under these plans.

The Company has a pension plan covering substantially all of its domestic employees not covered by union or industry pension plans. The plan is funded by Company and employee payments to a trust administered by a bank. During 1972 the Company established a non-qualified and unfunded key employee retirement plan providing for Company and domestic employee contributions.

The aggregate cost of all these plans was \$2,563,000 and \$2,152,000 for fiscal years 1973 and 1972, respectively, including amortization of actuarially computed prior service costs, where applicable, over periods ranging to forty years.

NOTE 6

STOCKHOLDERS EQUITY:

In March 1972 the Company issued 1,569,028 common shares (as adjusted for subsequent stock split) upon conversion of substantially all of the 4¾% convertible subordinated debentures issued on June 15, 1971.

In January 1973 a two-for-one stock split effected by a 100% stock dividend resulted in the issuance of 14,276,173 common shares and a transfer of \$17,845,000 from capital in excess of par value to capital stock.

On November 8, 1973 a 2% stock dividend was declared to stockholders of record on December 3, 1973.

Under a 1967 qualified stock option plan, options are granted to key executive, management and creative personnel at prices equal to market value at date of grant. Transactions in outstanding options under the plan during fiscal year 1973 were as follows:

	Number of Shares	
	Options Granted	Available for Grant
Outstanding September 30, 1972		
(\$10.05 to \$92.82 per share; 31,166 exercisable) as		
restated for stock split	77,062	32
Cancelled	(2,333)	2,333
Granted (\$84.25 to \$97.00 per share)	2,000	(2,000)
Exercised (\$10.05 to \$78.38 per share)	(36,169)	
Outstanding September 30, 1973		
(\$17.05 to \$97.00 per share; 22,068 exercisable)	40,560	365

In February 1973 the stockholders approved a new option plan for the granting of qualified and non-qualified options, under which a total of 800,000 common shares are reserved for issuance to key employees at prices equal to market value at date of grant. At September 30, 1973 qualified options for 198,550 shares (granted at \$84.25 and \$90.56 per

share) and non-qualified options for 1,200 shares (granted at \$90.56 per share) were outstanding and 600,250 shares were available for future grant.

NOTE 7

COMMITMENTS AND OTHER MATTERS:

On August 7, 1973 the Company and Wrather Corporation entered into an agreement under which the Company would acquire the Disneyland Hotel and related facilities in exchange for 185,653 shares of the Company's common stock and approximately \$250,000 cash. The proposed transaction, if consummated, would be accounted for as a purchase. The Hotel is subject to a deed of trust securing long-term indebtedness of approximately \$24,425,000 at September 30, 1973. The consummation of the transaction is contingent upon various conditions, including approval by the shareholders of Wrather and the right of Wrather to withdraw from the transaction on or before January 3, 1974.

Pursuant to an agreement for the use of the name of Walt Disney, Retlaw Enterprises, Inc. (a company owned by the family of the late Walter E. Disney) received royalty payments of approximately \$1,175,000 and \$700,000 from the Company for fiscal years 1973 and 1972, respectively; in accordance with such name agreement, the payments in fiscal year 1973 included a participation by Retlaw of 5% in profits before taxes, as defined, of Walt Disney World Phase I operations, after recovery by the Company of certain costs and expenses incurred prior to the opening of Walt Disney World.

NOTE 8

EARNINGS PER SHARE:

Earnings per common and common equivalent share have been computed on the basis of the average number of shares outstanding during each year, retroactively adjusted to give effect to all stock splits and stock dividends through September 30, 1973. In addition, it was assumed that all dilutive stock options had been exercised at the beginning of each year and that the proceeds had been used to purchase shares of the Company's common stock at the average market price during the years.

For 1972, earnings per common share—assuming full dilution—are based upon the assumption that, in addition to the exercise of the stock options, the previously outstanding 4¾% convertible debentures (note 6) had been converted into common stock on the date of their issuance.

TEN YEAR REVIEW

(in thousands except
amounts per share)

FISCAL YEARS ENDED

1973

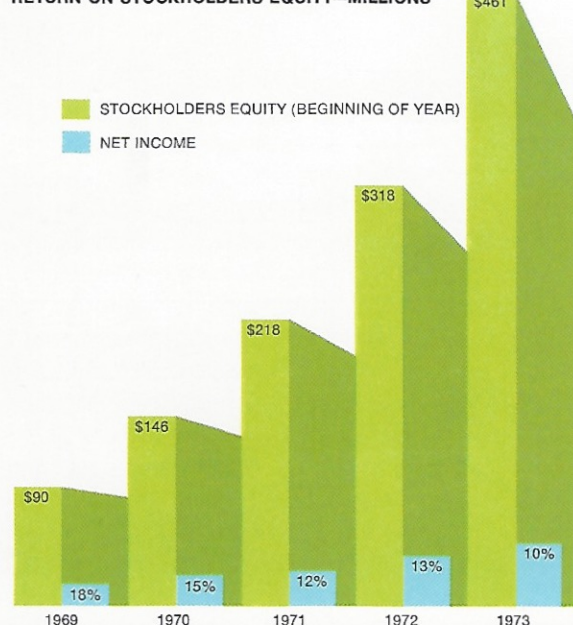
OPERATIONS

Revenues	385,065
Income before taxes on income	85,168
Taxes on income	37,400
Net income	47,768
Working capital provided by operations	93,203
Cash dividends	3,429
Stock dividends	
Retained in business	44,339
Depreciation and amortization	28,982
Net income	
Percent of revenues	12.4%
Percent of stockholders equity (beginning of year)	10.4%
Per common and common equivalent share	1.67
Cash dividends per share	
(on shares outstanding during the year)12

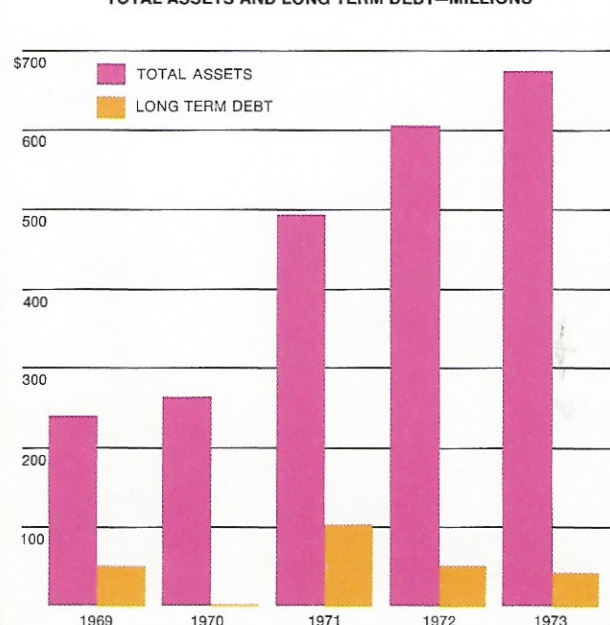
YEAR END FINANCIAL POSITION

Current assets	69,094
Working capital	1,630
Entertainment attractions and facilities	552,447
Other buildings, equipment and properties	52,847
Construction in progress	65,220
Accumulated depreciation	113,025
Total assets	678,807
Stockholders equity	506,446
Per share	17.71
Average number of common and common equivalent shares outstanding during the year	28,602

RETURN ON STOCKHOLDERS EQUITY—MILLIONS

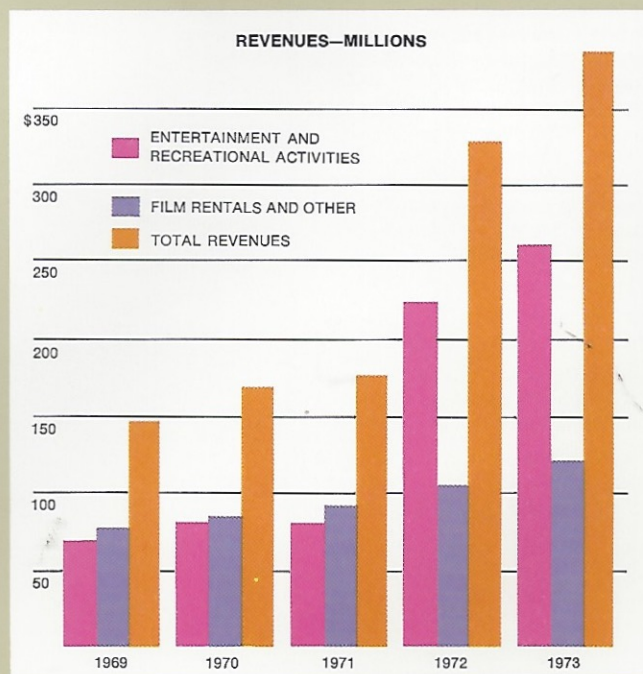
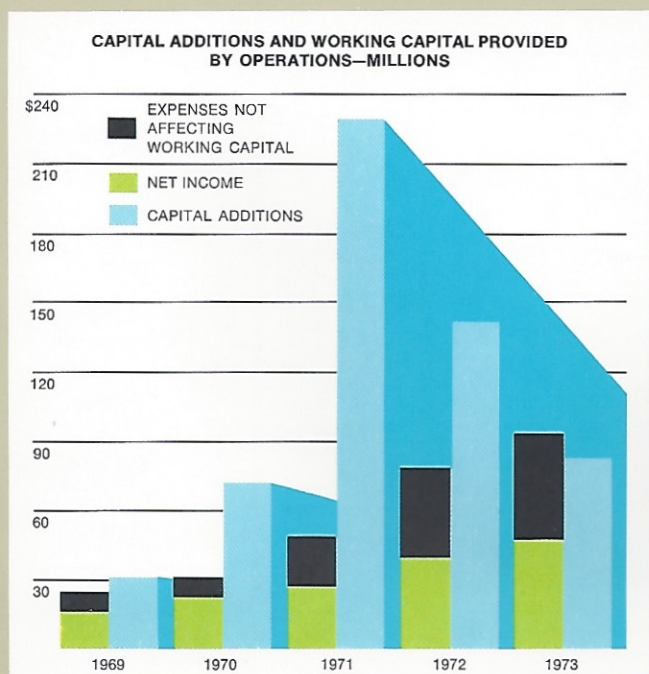


TOTAL ASSETS AND LONG TERM DEBT—MILLIONS



1972	1971	1970	1969	1968	1967	1966	1965	1964
329,437	175,611	167,103	148,367	137,146	117,486	116,543	109,947	86,651
74,393	48,521	43,709	32,504	26,545	20,334	23,463	22,256	12,749
34,100	21,800	21,950	16,700	13,440	9,067	11,071	10,877	5,692
40,293	26,721	21,759	15,804	13,106	11,267	12,392	11,379	7,057
79,314	49,205	31,239	24,508	21,655	19,271	18,517	18,852	13,517
2,756	2,361	1,664	1,308	1,261	812	771	737	707
2%	2%	2%	2%	3%	3%	3%	3%	3%
37,537	24,360	20,095	14,496	11,845	10,455	11,621	10,642	6,350
26,754	7,833	7,880	7,404	6,849	7,854	5,800	7,474	6,459
12.3%	15.2%	13.0%	10.7%	9.6%	9.6%	10.6%	10.3%	8.1%
12.7%	12.3%	14.9%	17.5%	17.0%	17.2%	23.3%	27.4%	20.2%
1.45	1.02	.92	.81	.68	.61	.69	.64	.40
.10	.093%	.071½	.071½	.071½	.05	.05	.05	.05

58,487	76,475	75,632	111,465	65,107	30,117	21,294	28,276	19,065
6,437	30,486	39,501	79,744	40,076	8,099	115	6,349	5,566
519,740	361,199	98,466	96,599	88,366	84,046	62,661	50,274	45,383
41,001	35,523	12,918	12,587	11,565	10,742	10,326	9,351	8,744
24,831	46,444	106,271	36,277	13,438	1,173	151		
87,278	63,220	55,317	48,199	41,554	35,518	28,687	31,228	26,284
609,335	497,315	267,626	238,174	165,038	118,628	98,466	88,154	67,883
460,619	318,464	218,116	146,205	90,308	77,210	65,573	53,125	41,494
16.55	12.12	9.18	7.47	4.68	4.15	3.63	2.99	2.38
27,836	26,286	23,758	19,572	19,298	18,584	18,082	17,776	17,450



PARENT COMPANY

WALT DISNEY PRODUCTIONS

500 So. Buena Vista Street, Burbank, California
Produces motion pictures for theatrical and television distribution—operates Disneyland Park—operates Celebrity Sports Center—conducts ancillary activities.

PRINCIPAL SUBSIDIARIES

BUENA VISTA DISTRIBUTION CO., INC.

Irving H. Ludwig—President
Distributes, syndicates and sells domestically the product of Walt Disney Productions, including 35mm theatrical film, television shows and records and albums.

BUENA VISTA INTERNATIONAL, INC.

Harold P. Archinal—President
Supervises the distribution of Walt Disney Productions 35mm theatrical film, 16mm film and television shows in foreign countries except the Western Hemisphere.

CANASA TRADING CORPORATION

Harold P. Archinal—President
Western Hemisphere trading corporation.

WALT DISNEY MUSIC COMPANY

James A. Johnson—President
Music publishing—ASCAP affiliate.

WONDERLAND MUSIC COMPANY, INC.

James A. Johnson—President
Music publishing—BMI affiliate.

WALT DISNEY EDUCATIONAL MEDIA COMPANY

Richard H. Irvine—President
Distributor—16mm film, audio-visual educational materials and 8mm home movies.

WALT DISNEY WORLD CO.

Donn B. Tatum—Chairman, Board of Directors
E. Cardon Walker—President
Richard A. Nunis—Executive Vice President
Robert C. Allen—Vice President—Resorts
James P. Armstrong—Vice President—Food Division
Carl G. Bongiorno—Vice President and Treasurer
Edward B. Crowell—Vice President—Facilities Division
Robert F. Jani—Vice President—Entertainment
Jack B. Lindquist—Vice President—Marketing
Robert K. Matheison—Vice President—Operations Division
Jack W. Olsen—Vice President—Merchandising
James P. Passilla—Vice President—Employee Relations
Philip N. Smith—Vice President—Legal and Secretary
Luther R. Marr—Assistant Secretary
Donald A. Escen—Assistant Treasurer
James A. McManus—Assistant Treasurer
Operates Walt Disney World.

WALT DISNEY TRAVEL CO., INC.

Jack B. Lindquist—President
Markets wholesale and retail tour packages.

LAKE BUENA VISTA COMMUNITIES, INC.

E. Cardon Walker—President
Real estate development.

VISTA COMMUNICATIONS, INC.

(a partner in Vista-Florida Telephone System)
Telephone and related communications services.

CORPORATE OFFICERS

Donn B. Tatum

Chairman of the Board

E. Cardon Walker

President

William H. Anderson

Vice President—Production and Studio Operations

Michael L. Bagnall

Vice President—Administration

Roy E. Disney

Vice President—16mm Production

Robert P. Foster

Vice President—Real Estate

Vincent H. Jefferds

Vice President—Merchandising and Promotion

Orbin V. Melton

Vice President and Treasurer

Ronald W. Miller

Vice President—Executive Producer

Richard T. Morrow

Vice President—General Counsel

Richard A. Nunis

Vice President—Operations—Disneyland and Walt Disney World

George A. Sullivan

Vice President—Tax Administration

Lawrence E. Tryon

Vice President and Controller

Franklin Waldheim

Vice President and Eastern Counsel

Luther R. Marr

Secretary—Legal

Leland L. Kirk

Assistant Secretary-Treasurer

Donald A. Escen

Assistant Treasurer and Assistant Controller

Douglas E. Houck

Assistant Controller

Bruce F. Johnson

Assistant Controller

Donald E. Tucker

Assistant Controller

STOCK TRANSFER AGENTS:

Bank of America, N.T. & S.A., Los Angeles;

Bankers Trust Company, New York.

STOCK REGISTRARS:

Bank of America, N.T. & S.A., Los Angeles;

Morgan Guaranty Trust Company of New York, New York.

STOCK EXCHANGES:

The common stock of the Company is listed for trading on the New York and Pacific Coast Stock Exchanges.

INDEPENDENT ACCOUNTANTS:

Price Waterhouse & Co., Los Angeles.

ANNUAL MEETING OF STOCKHOLDERS:

First Tuesday in February.

This report is distributed for the information of stockholders and employees of the Company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities nor is it to be considered a part of the proxy soliciting material of the Company for the annual meeting of its stockholders.



New York City, Thanksgiving Day, 1973.



Look to the name Walt Disney
for the finest in family entertainment